

Stock Code: 1466

Acelon Chemicals & Fiber Co., Ltd.

Parent-Only Financial Report

2022 and 2021

(Independent Auditor's Report attached)

Address: No. 94, Fanjin Road, Puyan Township, Changhua County

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## Independent Auditor's Report

Acelon Chemicals & Fiber Co., Ltd.

### Opinion

We have audited the accompanying parent-only balance sheets of Acelon Chemicals & Fiber Corporation as of December 31, 2022 and 2021, and the related parent-only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, as well as the notes to the parent-only financial statements (including a summary of material accounting policies).

In our opinion, based on our audits and the reports of the other independent auditors, as described in the other matters section of our report, the parent-only financial statements present fairly, in all material respects, the standalone financial position of Acelon Chemicals & Fiber as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing principles generally accepted. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Parent-Only Financial Statements section of our report. We are independent of Acelon Chemicals & Fiber in accordance with the Professional Ethics for Certified Public Accountant and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, 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 parent-only financial statements of Acelon Chemicals & Fiber



for the fiscal year 2022. These matters were addressed in the context of our audit of the parent-only 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 for the parent-only financial statements of Acelon Chemicals & Fiber for the year ended December 31, 2022 are stated as follows:

I. Operating revenue recognized

The management level faces pressure on operational objectives, market scale and competition and asset impairment assessment on whether the revenue meets the operational objectives, and Acelon Chemicals & Fiber is in an industry susceptible to many factors such as market supply and demand, so they are all listed as key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:

1. Test the effectiveness of the design and implementation of the internal control system for the sales and collection cycle, and assess whether the revenue recognition is appropriate.
2. Analyze the differences in two periods of sales to the top ten clients of Acelon Chemicals & Fiber, and assess the rationality.
3. Conduct the sales revenue transaction test for the top ten new sales customers in the current period, and verify whether the collection and reversal counterparties are consistent with the counterparties of the sales.
4. Analyze significant or unexpected changes and trends based on objective and independent data, compare sales revenue and returns in previous and current trends, cost of goods sold and gross profit in previous and current trends, and trends analysis of previous and current delivery volume.
5. Understand whether there is any material change in revenue during the period before and after the financial report date, and whether there is a material sales return or discount, and analyze the reasons.

II. Subsequent measurement of inventory

As of December 31, 2022, the net inventory of Acelon Chemicals & Fiber was



NT\$534,245 thousand. As the introduction of new products may lead to material changes in market demand, or that the updates in production technology may make the original products no longer meet the market demand, the management must assess the loss in net realisable value due to inventory write-off from inventory obsolescence. Since the amount of inventory is large, its obsolescence involves material judgments by the management, so it is listed as our one of our key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:

1. Assess the internal control protocols of operating costs, check the transaction records and relevant source documents to determine the integrity of transaction records, the classification of inventory and operating costs, and reliability of inventory and records.
2. Spot check the purchase transaction records of the ending inventory, and test whether the unit price and calculation are correct.
3. Calculate the growth rates of inventory and cost of goods sold and compare them with the growth rate of operating income in the same period to see if the change trend is reasonable.
4. Check the reports related to the inventory age, analyze the changes in the inventory age, and assess whether the subsequent measurement of the inventory has been handled in accordance with its accounting policy.
5. Understand and assess the reasonableness of the net realisable value basis adopted by management.

### III. Impairment of property, plant and equipment

Acelon Chemicals & Fiber mainly produces nylon yarns, polyester yarns, processed yarns and other related products. Due to market saturation after long-term development, the sales momentum is easily affected by the economy. The recoverability of the book value of such assets depends on the forecast of future operating cash flow, discount rate and growth rate. These require significant judgments by the management and have a high degree of uncertainty in estimation. Therefore, they are listed as our key audit matters.



Our key audit procedures performed in response to the above matters are described as follows:

1. Obtained the asset impairment assessment statement or projected income statement prepared by Acelon Chemicals & Fiber for the business units to which the cash-generating units belong.
2. Assess the rationality of the management of Acelon Chemicals & Fiber in identifying signs of impairment, as well as the assumptions and sensitivities used, including the appropriateness of cash-generating units differentiated, cash flow forecasts, and discount rates.

### **Other Matters – Making Reference to the Audits of Component Auditors**

Among the investee companies included in the above-mentioned parent-only financial report, the financial statements of the invested affiliates have not been audited by us, but have been audited by other accountants. Therefore, in the opinions expressed by us on the abovementioned parent-only report, the amount listed in the financial statements of the invested affiliates is based on the audit report produced by other accountants. The balance of investments accounted for using equity method as of December 31, 2022 and 2021 was NT\$58,688 thousand and NT\$53,709 thousand, respectively, accounting for 2.3% and 1.9% of the total parent-only assets, respectively; the share of losses of associates recognized using the equity method from January to December 31, 2022 and 2021 was NT\$(1,837) thousand and NT\$(1,618) thousand, accounting for 3.0% and (0.8%) of the parent-only comprehensive income, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Parent-Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-only financial statements, management is responsible for assessing



Acelon Chemicals & Fiber'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 Acelon Chemicals & Fiber's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent-Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether or not the parent-only financial statements as a whole are free from material misstatements, 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 auditing standards generally accepted will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-only financial statements.

As part of an audit in accordance with the auditing principles, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also conduct the following tasks:

1. Identify and assess the risks of material misstatement of the parent-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of the 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 or not 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 auditor's report to the related disclosures in the parent-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Acelon Chemicals & Fiber to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-only financial statements, including the accompanying notes, and whether the parent-only 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 the invested associated using the equity method to express an opinion on the parent-only financial statements. We are responsible for the direction, supervision and performance of the audit for the invested associates. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-only financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditor's 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.



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Securities and Futures Bureau of Financial  
Supervisory Commission, Executive Yuan  
Approval Document Number: (88)  
Tai-Tsai-Zheng (6) 55000

Securities and Futures Bureau of Financial  
Supervisory Commission, Executive Yuan  
Approval Document Number:  
Jin-Guan-Zheng (6) #0980018119

March 21, 2023

#### Notice to Readers

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

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



# Acelon Chemicals & Fiber Co., Ltd.

## Parent-Only Balance Sheets

As of December 31, 2022 and 2021

Unit: NT\$ thousands

Assets			December 31, 2022		December 31, 2021	
Code	Description	Note	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 and 6	\$ 203,066	8.1	\$ 341,148	12.0
1150	Notes receivable, net	4, 6, 7 and 8	55,520	2.2	144,801	5.1
1170	Accounts receivable, net	4, 5, 6 and 7	289,696	11.5	336,624	11.8
1200	Other receivables	5, 6 and 7	39,520	1.6	169,175	5.9
130x	Inventories	4, 5 and 6	534,245	21.2	508,022	17.9
1410	Prepayments		54,171	2.1	51,993	1.8
1476	Other financial assets - Current	4 and 8	65,380	2.6	47,873	1.7
1479	Other current assets - Others		1,168	-	4,537	0.2
11xx	Total Current Assets		1,242,766	49.3	1,604,173	56.4
15xx	Non-current assets					
1550	Investments accounted for using equity method	4 and 6	338,019	13.4	423,662	14.9
1600	Net property, plant and equipment.	4, 5, 6 and 8	865,900	34.3	727,211	25.6
1755	Net right-of-use assets	4 and 6	26,537	1.1	24,850	0.9
1780	Intangible assets	4 and 5	370	-	401	-
1840	Deferred tax assets	4, 5 and 6	22,849	0.9	31,257	1.1
1900	Other non-current assets	6	16,680	0.7	24,042	0.8
1980	Other financial assets - Non-current	4 and 8	8,636	0.3	8,642	0.3
15xx	Total Non-Current Assets		1,278,991	50.7	1,240,065	43.6
	Total assets		\$ 2,521,757	100.0	\$ 2,844,238	100.0

  

Liabilities and equity			December 31, 2022		December 31, 2021	
Code	Description	Note	Amount	%	Amount	%
21xx	Current liabilities					
2100	Current borrowings	6, 7, 8 and 9	\$ 322,864	12.8	\$ -	-
	Financial liabilities at fair value measurement through profit or loss - Current	4 and 6	-	-	3,634	0.1
2130	Contract liability - Current	6	9,711	0.4	8,056	0.3
2150	Notes payable		677	-	1,108	-
2170	Accounts payable		197,827	7.9	357,984	12.6
2200	Other payables	6	130,913	5.2	160,026	5.6
2250	Provisions - Current	4 and 6	5,618	0.2	7,319	0.3
2280	Lease liabilities - Current	4 and 6	4,844	0.2	3,198	0.1
2321	Bonds payable, current portion	6, 7 and 8	-	-	296,960	10.5
2322	Long-term borrowings, current portion	6, 7, 8 and 9	75,340	3.0	50,150	1.8
2399	Other current liabilities - Others		2,763	0.1	1,326	-
21xx	Total Current Liabilities		750,557	29.8	889,761	31.3
25xx	Non-current liabilities					
2540	Non-current portion of non-current borrowings	6, 7, 8 and 9	145,476	5.8	135,716	4.8
2580	Lease liabilities - Non-current	4 and 6	21,414	0.8	21,207	0.8
	Net defined benefit liability, non-current	6	4,973	0.2	37,894	1.3
2645	Guarantee deposits received	7	3,444	0.1	3,432	0.1
25xx	Total Non-current Liabilities		175,307	6.9	198,249	7.0
	Total Liabilities		925,864	36.7	1,088,010	38.3
	Equity					
3100	Capital	6	1,111,573	44.1	1,111,573	39.1
3200	Capital surplus	6	431,153	17.1	453,043	15.9
3300	Retained earnings	6				
3310	Legal reserve		18,308	0.7	-	-
3320	Special reserve		92,765	3.7	17,269	0.6
	Unappropriated retained earnings (accumulated deficit)		(53,176)	(2.1)	183,077	6.4
3400	Others		(4,730)	(0.2)	(8,734)	(0.3)
	Total equity		1,595,893	63.3	1,756,228	61.7
	Total Liabilities and Equity		\$ 2,521,757	100.0	\$ 2,844,238	100.0

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou

Managerial Officer: Wen-Tung Chou

Principal Accounting Officer: Mu-Lan Hsiao

**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Comprehensive Income**  
**January 1 to December 31, 2022 and 2021**

Unit: NT\$ in thousands; earnings per share in NT\$

Code	Description	Note	January 1 to December 31, 2022		January 1 to December 31, 2021	
			Amount	%	Amount	%
4000	Net revenue	4, 6 and 7	\$ 2,442,173	100.0	\$ 3,166,211	100.0
5110	Operating costs	6 and 7	2,270,908	93.0	2,624,323	82.9
5950	Gross profit (loss) from operations		171,265	7.0	541,888	17.1
	Operating expenses	7				
6100	Sales and marketing expenses		121,111	4.9	178,440	5.6
6200	Administrative expenses		58,372	2.4	73,282	2.3
6300	Research and development expenses		38,216	1.6	40,997	1.3
6000	Total operating expenses		217,699	8.9	292,719	9.2
6900	Net operating income (loss)		(46,434)	(1.9)	249,169	7.9
	Non-operating income and expenses					
7100	Interest income	7	2,373	0.1	2,602	0.1
7010	Other income	6 and 7	20,544	0.8	17,319	0.5
7020	Other benefits and losses	6	62,117	2.6	(24,447)	(0.8)
7050	Finance costs	4 and 6	(9,584)	(0.4)	(9,637)	(0.3)
7060	Share of the profit or loss of associates and joint ventures accounted for using the equity method	4 and 6				
			(90,095)	(3.7)	(43,576)	(1.4)
7000	Total non-operating income and expenses		(14,645)	(0.6)	(57,739)	(1.9)
7900	Profit before tax (net loss)		(61,079)	(2.5)	191,430	6.0
7950	Tax expense (income)	4 and 6	5,665	0.2	13,552	0.4
8200	Profit (loss)		(66,744)	(2.7)	177,878	5.6
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8310	Gains (losses) on remeasurements of defined benefit plans		16,952	0.7	3,392	0.1
8311	Relevant income tax for items that will not be reclassified		(3,390)	(0.1)	(678)	-
8349	Components of other comprehensive income that will be reclassified to profit or loss					
8360						
8361	Exchange differences on translation		4,004	0.1	(738)	-
8300	Other comprehensive income for the year (net)		17,566	0.7	1,976	0.1
8500	Total comprehensive income		\$ (49,178)	(2.0)	\$ 179,854	5.7
	Earnings per Share (loss):	6				
9750	Basic earnings per share (loss)		\$ (0.60)		\$ 1.60	
9850	Diluted earnings per share (loss)		\$ (0.60)		\$ 1.60	

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou    Managerial Officer: Wen-Tung Chou    Principal Accounting Officer: Mu-Lan Hsiao

**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Changes in Equity**  
**January 1 to December 31, 2022 and 2021**

Unit: NT\$ thousands

Description	Equity						
	Capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficit)	Exchange differences on translation	Total equity
Balance on January 1, 2021	\$ 1,111,573	\$ 452,771	\$ 55,462	\$ 141,646	\$ (177,354)	\$ (7,996)	\$ 1,576,102
Changes in shares of associates and joint ventures recognized under the equity method	-	272	-	-	-	-	272
Special reserve used to offset accumulated deficits	-	-	-	(75,502)	75,502	-	-
Legal reserve used to offset accumulated deficits	-	-	(55,462)	-	55,462	-	-
Reversal of special reserve	-	-	-	(48,875)	48,875	-	-
2021 net profit (loss)	-	-	-	-	177,878	-	177,878
2021 other comprehensive income after tax	-	-	-	-	2,714	(738)	1,976
Balance on December 31, 2021	\$ 1,111,573	\$ 453,043	\$ -	\$ 17,269	\$ 183,077	\$ (8,734)	\$ 1,756,228
Appropriation and distribution of retained earnings:							
Appropriation of legal reserve	-	-	18,308	-	(18,308)	-	-
Special reserve appropriated	-	-	-	75,502	(75,502)	-	-
Ordinary cash dividends	-	-	-	-	(89,267)	-	(89,267)
Cash dividends paid from capital surplus	-	(21,890)	-	-	-	-	(21,890)
Reversal of special reserve	-	-	-	(6)	6	-	-
2022 net profit (loss)	-	-	-	-	(66,744)	-	(66,744)
2022 other comprehensive income after tax	-	-	-	-	13,562	4,004	17,566
Balance on December 31, 2022	\$ 1,111,573	\$ 431,153	\$ 18,308	\$ 92,765	\$ (53,176)	\$ (4,730)	\$ 1,595,893

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou

Managerial Officer: Wen-Tung Chou

Principal Accounting Officer: Mu-Lan Hsiao

**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Cash Flows**  
**January 1 to December 31, 2022 and 2021**

Description	Unit: NT\$ thousands	
	January 1 to December 31, 2022	January 1 to December 31, 2021
Cash flow from operating activities		
Profit (loss) before tax	\$(61,079)	\$ 191,430
Adjustments		
Adjustments to reconcile profit (loss) that do not affect cash flows		
Depreciation expense	95,469	96,351
Amortization expense	12,554	10,325
Interest expense	9,584	9,637
Interest income	(2,373)	(2,602)
Gains or losses of financial assets at fair value measurement through profit or loss	(3,634)	3,634
Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	90,095	43,576
Losses on disposals of property, plant and equipment (gains)	555	286
Loss (gain) on disposal of investment properties	-	6,789
Total adjustments	202,250	167,996
Changes in operating activities assets and liabilities		
Changes in operating assets		
Decrease (increase) in notes receivable	89,281	(25,458)
Decrease (increase) in accounts receivable	46,928	(62,625)
Decrease (increase) in other receivable	(1,801)	(65,133)
Decrease (increase) in inventories	(26,223)	(177,444)
Decrease (increase) in prepayments	(14,317)	(21,704)
Adjustments for decrease (increase) in other current assets	3,369	(1,591)
Total net change in assets related to operating activities	97,237	(353,955)
Changes in operating liabilities		
Increase (decrease) in notes payable	(431)	(1,480)
Increase (decrease) in accounts payable	(160,157)	142,604
Increase (decrease) in other payable	(46,333)	23,639
Adjustments for increase (decrease) in other current liabilities	1,437	215
Increase (decrease) in provisions	(1,701)	542
Contract liabilities - Current increase or decrease	1,655	(2,411)
Net defined benefit liability - Non-current increase or decrease	(15,969)	(11,630)
Total net movement in liabilities related to operating activities	(221,499)	151,479
Total net movement in operating activities assets and liabilities	(124,262)	(202,476)
Cash inflow (outflow) generated from operations	16,909	156,950
Interest received	3,829	2,796
Interest paid	(6,544)	(9,498)
Income tax refunded or paid	(647)	(2,929)
Net cash flows from (used in) operating activities	13,547	147,319

(To be continued in the next page)

**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Cash Flows**  
**January 1 to December 31, 2022 and 2021**

(Continued from the previous page)

Description	Unit: NT\$ thousands	
	January 1 to December 31, 2022	January 1 to December 31, 2021
Cash flows from (used in) investing activities		
Other receivables - Related parties	130,000	-
Acquisition of investments accounted for using equity method	(2,812)	(50,000)
Acquisition of property, plant and equipment	(212,884)	(7,406)
Acquisition of intangible assets	(384)	(484)
Proceeds from disposal of investments accounted for using equity method	-	91
Proceeds from disposal of property, plant and equipment	512	1,187
Proceeds from disposal of investment properties	-	73,709
Other financial assets - Current increase or decrease	(17,507)	(21,809)
Other financial assets - Non-current increase or decrease	6	23,427
Decrease (increase) in refundable deposits	(374)	-
Decrease (increase) in other non-current assets	7,736	(66,439)
Dividends received from subsidiaries	2,364	4,549
Net cash flows from (used in) investing activities	<u>(93,343)</u>	<u>(43,175)</u>
Cash flows from (used in) financing activities		
Increase (decrease) in short-term loans	322,864	-
Repayments of bonds	(300,000)	-
Increase (decrease) in guarantee deposits received	12	-
Increase (decrease) in non-current portion of non-current borrowings	34,950	(69,415)
Cash dividends paid	(111,157)	-
Repayment of principal of lease liabilities	(4,955)	(4,726)
Net cash flows from (used in) financing activities	<u>(58,286)</u>	<u>(74,141)</u>
Increase (decrease) in cash and cash equivalents for the current period	(138,082)	30,003
Cash and cash equivalents at beginning of period	341,148	311,145
Cash and cash equivalents at end of period	<u>\$ 203,066</u>	<u>\$ 341,148</u>

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou      Managerial Officer: Wen-Tung Chou      Principal Accounting Officer: Mu-Lan Hsiao

Acelon Chemicals & Fiber Co., Ltd.  
Notes to the Parent-Only Financial Statements  
As of December 31, 2022 and 2021

Unit: NT\$ thousands  
(Unless otherwise specified)

I. Company history

The Company was established in July 1988, and the main business activities are the production and sales of chemical fibers for weaving. The Company was approved by the Securities and Futures Commission of the Ministry of Finance on August 18, 1992 for retroactive handling of public offering, and was officially listed on April 4, 1998 with the approval of the Taiwan Stock Exchange.

II. Date and procedures for approving the financial report

The accompanying parent-only financial statements were approved and authorized for issuance by the board of directors on March 21, 2023.

III. Application of New and Revised International Financial Reporting Standards

(I) The Company has adopted the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations recognized and announced effective by the Financial Supervisory Commission (hereinafter referred to as the "FSC"), and the relevant newly released, revised and amended standards and interpretations are listed as follows:

New standards, interpretations and revisions	Effective date announced by IASB
IFRS 3 amendment, "Reference to Conceptual Framework"	January 1, 2022
Amendment to IAS 16 - "Property, Plant and Equipment -- Proceeds before Intended Use".	January 1, 2022
Amendment to IAS 37 "Onerous Contracts -- Cost of Fulfilling a Contract"	January 1, 2022
Annual improvements to 2018 - 2020 cycle	January 1, 2022

The newly released and amended standards and interpretations approved by the FSC listed in the above table have no significant influence on the Company.

(II) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company:

New standards, interpretations and revisions	Effective date announced by IASB
Amendment to IAS 1 - "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8 - "Definition of Accounting Estimates"	January 1, 2023
IAS 12 amendments "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The newly released and amended standards and interpretations approved by the FSC listed in the above table have no significant influence on the Company.

(III) IFRSs issued by the IASB but not yet recognized by the FSC:

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

New standards, interpretations and revisions	Effective date announced by IASB
IFRS 10 and IAS 28 amendments, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by the IASB
IFRS 17 - "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 - "Insurance contracts"	January 1, 2023

New standards, interpretations and revisions	Effective date announced by IASB
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 -- Comparative Information"	January 1, 2023
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
Amendment to IAS 1 "Non-Current Liabilities With Covenants"	January 1, 2024

As of the release date of the parent-only financial report, the Company has been evaluating the impact of the amendments to the above standards and interpretations on the financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.

#### IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent-only financial statements are set out below. Unless otherwise specified, the following accounting policies apply consistently throughout the year presented in the parent-only financial report.

##### (I) Compliance statement

These parent-only financial statements of the Company have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

##### (II) Basis of preparation

The parent-only financial statements have been prepared on the historical cost convention, except for financial instruments that are measured at fair value. Historical cost is generally determined based on the fair value of the consideration paid for the acquired assets.

##### (III) Functional and presentation currency

The parent-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information is expressed in thousands of New Taiwan Dollars unless otherwise stated.

##### (IV) Classification of current and non-current asset and liability items

Current assets are assets that are held for trading and are expected to be realized in cash or used up within a year. Assets that are not current assets are non-current assets. Current liabilities include liabilities held for trading and those that are expected to be settled within twelve months after the reporting period. Liabilities that are not current liabilities are non-current liabilities.

1. Assets that meet one of the following criteria are classified as current assets, and those that are not current assets are non-current assets:

- (1) Assets that are generated by the enterprise due to its business operations, and are expected to be realized or consumed or intended to be sold during the normal operating cycle of the enterprise.
- (2) Assets held primarily for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

2. Liabilities that meet one of the following criteria are classified as current liabilities, and those that are not current liabilities are non-current liabilities:

- (1) Liabilities that are generated by the enterprise due to its business operations, and are expected to be paid off within the normal operating cycle.

(2) Those that are held primarily for the purpose of being traded.

(3) Liabilities that are to be settled within twelve months from the balance sheet date.

(4) Liabilities for which the settlement date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(V) Foreign currency transactions

Items included in the parent-only financial report of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The parent-only financial statements are presented in New Taiwan dollars.

When preparing the individual financial statements of each entity, transactions in currencies other than the entity's functional currency (foreign currency) are recognized at the exchange rate on the transaction date. At the end of the reporting period, foreign currency monetary items are retranslated at the closing rate. Non-monetary items that are measured at fair value in a foreign currency shall be retranslated using the exchange rates at the date when the fair value was measured. Non-monetary items measured at historical cost in a foreign currency shall be retranslated. Exchange differences are recognized in profit or loss in the period in which they occur.

(VI) Cash and cash equivalents

Cash includes unrestricted currency and bank deposits. Cash equivalents refer to short-term and highly liquid time deposits or investments near maturity that can be converted into fixed amounts of cash at any time, with changes in interest rates having little impact on their value.

(VII) Financial instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets (other than receivables that do not contain a significant financing component) or financial liabilities measured at fair value not through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Accounts receivable that do not contain significant financing components are initially measured at transaction prices.

1. Financial assets

Our financial assets are classified into financial assets measured at amortised cost; financial assets measured at fair value measurement through other comprehensive income; and financial assets measured at fair value measurement through profit or loss.

Only when we change the business model for managing financial assets, will we reclassify all affected financial assets in accordance with regulations.

(1) Financial assets measured at amortised cost

When a financial asset meets the following criteria at the same time and is not measured designation as at fair value through profit or loss, it is measured at amortised cost:

(a) The objective of the business model is achieved by collecting contractual cash flows.

(b) 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.

At initial recognition, it is measured at fair value plus directly attributable transaction costs. Subsequent measurement at amortised cost less impairment losses adopt the effective yield approach. Interest income, foreign exchange gains and losses and impairment losses are



recognized in profit or loss. The cumulative gain or loss is recognized in profit or loss at derecognition.

(2) Financial assets at fair value measurement through other comprehensive income

Debt instrument investments that meet the following criteria at the same time and are not designation as at fair value through profit or loss, are measured at fair value measurement through other comprehensive income:

- (a) A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- (b) 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.

The Company can conduct an irrevocable election at the time of initial recognition to report the subsequent fair value changes of equity investments that are not held for trading in other comprehensive income. The aforementioned elections are made on an instrument-by-instrument basis.

At initial recognition, it is measured at fair value plus directly attributable transaction costs. Subsequent measurement is at fair value, excluding exchange losses from debt instrument, interest income and impairment loss using the effective interest rate method and dividend income from equity instrument investment (unless the dividends clearly represent part of the recovery of investment costs), and changes in the remaining carrying amount are recognized in other comprehensive income, and accumulated in unrealized gains or losses on financial assets measured at fair value measurement through other comprehensive income under equity. At the time of derecognition, if it is a debt instrument, the cumulative amount of gains or losses under the equity item shall be reclassified to profit or loss; if it is an equity instrument, the cumulative amount of gains or losses under the equity item shall be reclassified as retained earnings, not reclassified to profit or loss.

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

Financial assets that are not measured at amortised cost or at fair value measurement through other comprehensive income as described above are measured at fair value measurement through profit or loss, including derivatives. In order to eliminate or significantly reduce accounting mismatches at initial recognition, the Company may irrevocably designate financial assets that meet the criteria of being measured at amortised cost or at fair value measurement through other comprehensive profit and loss as at fair value measurement through profit or loss.

These assets are subsequently measured at fair value and the net gain or loss (including any dividend and interest income) is recognized in profit or loss.

Dividend income from equity investment is recognized on the date when the Company is entitled to receive the dividend (usually the ex-dividend date).

(4) Impairment of financial assets

The Company recognizes loss allowance for expected credit losses on financial assets measured at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, etc.).

The loss allowance of the following financial assets are measured by the 12-month expected credit losses amount, and the rest are measured by the full lifetime expected credit losses (for example, the allowance loss of accounts receivable is measured by the full lifetime expected credit

loss).

The credit risk of bank deposits (that is, the risk of default during the expected lifetime of the financial instrument) has not increased significantly since the initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the expected credit losses that result from all possible default events of a financial instrument within 12 months after the reporting date (or a shorter period, if the expected life of the financial instrument is shorter than 12 months).

The maximum period over which expected credit losses should be measured is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk has increased significantly after the initial recognition, the Company considers reasonable and supportable information (obtainable without undue cost or investment), including qualitative and quantitative information, the Company's historical experience, and analysis of credit ratings and forward-looking information.

If the contract payment is overdue for more than 60 days, the Company assumes that the credit risk of the financial asset has increased significantly.

If the contract payment is overdue for more than 180 days, or that the borrower is unlikely to fulfill the credit obligations and pay the full amount to the Company, we consider the financial asset to be in default.

Expected credit losses are a probability-weighted estimate of credit loss over the expected life of a financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The Company assesses whether financial assets measured at amortised cost and debt securities measured at fair value measurement through other comprehensive income are credit-impaired at each reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulties of the borrower or issuer;
- (b) A breach of contract, such as a default or past due event for more than 180 days;
- (c) We, for economic or contractual reasons relating to the borrower's financial difficulty, have granted to the borrower a concession that we would not otherwise consider;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

Loss allowance for financial assets at amortised cost is deducted from the carrying amount of the assets. Loss allowance for debt instruments at fair value measurement through other comprehensive income is recognized in other comprehensive income (without reducing the carrying amount of the assets), and the amount of loss allowance or reversal is recognized in profit or loss.

When the Company has no reasonable expectation of recovery of all or part of the financial assets, it will directly reduce the gross carrying amount of such financial assets. It generally means

that the Company determines that the debtor's assets or sources of income cannot generate sufficient cash flows to repay the written-off amount. However, the written-off financial assets can still be enforced to comply with the Company's procedures for recovering overdue amounts.

#### (5) De-recognition of financial assets

The Company derecognizes the financial asset for the termination of the contractual rights to the cash flows from the financial asset, or the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to other enterprises.

When a single debt instrument is derecognized in its entirety, the difference between its carrying amount and the total amount of consideration received or receivable recognized in other comprehensive income and accumulated in "Other equities - Unrealized gains or losses from financial assets measured at fair value measurement through other comprehensive income" is recognized as profit or loss, and reported as a comprehensive income item under non-operating income and expenses.

When not derecognizing the entirety of a single debt instrument, the Company, on the basis of the relative fair value of each part on the date of transfer, allocates the initial carrying amount of the financial asset to the part that is continuously recognized due to continuous participation and the part that is derecognized. The difference between the carrying amount allocated to the derecognized portion and the sum of any cumulative gain or loss allocated to the derecognized portion in addition to the consideration received for the derecognized portion that has been recognized in other comprehensive income is recognized in profit or loss and reported as a comprehensive item under non-operating income and expenses. The cumulative gains or losses that have been recognized in other comprehensive income are allocated between the part that continues to be recognized and the part that is derecognized based on their relative fair values.

### (VIII) Financial liabilities and equity instruments

#### 1. Classification of financial liabilities or equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definitions of financial liabilities and equity instruments.

#### 2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount after deducting direct issuance costs from the obtained proceeds.

#### 3. Financial liabilities

Financial liabilities are subsequently measured at amortised cost, cost or fair value.

##### (1) Financial liabilities at fair value measurement through profit or loss

Financial liabilities that are held for trading or designated at fair value measurement through profit or loss are classified as financial liabilities at fair value measurement through profit or loss.

Financial liabilities at fair value measurement through profit or loss are measured at fair value, with any gain or loss on remeasurement recognized in profit or loss. The gain or loss

recognized in profit or loss includes any interest paid on the financial liability, which is reported in the parent-only comprehensive income under "gains from financial liabilities at fair value measurement through profit or loss" or "losses in financial liabilities at fair value measurement through profit or loss".

If the financial liabilities measured at fair value measurement through profit or loss are "an obligation to sell a borrowed unquoted equity investment whose fair value cannot be reliably measured and which must be delivered" or "a derivative linked to an unquoted equity investment whose fair value cannot be reliably measured and is delivered with the equity instrument", it is measured at cost on the reporting date and listed in the "Financial liabilities measured at cost".

The gains or losses of financial guarantee contracts and loan commitments issued by the Company and designated as fair value measurement through profit or loss are recognized in profit or loss.

#### (2) Financial assets measured at amortised cost

Financial liabilities that are not held for trading and not designated at fair value measurement through profit or loss are measured at amortised cost at the end of the subsequent reporting period. The carrying amount of financial liabilities measured at amortised cost is determined using the effective interest method. Interest expense not capitalized in the cost of the asset is presented in "Finance costs".

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant periods. The effective interest rate refers to the discounting of the estimated future cash payment amount (including the service fee paid or received as an integral part of the effective interest rate and interest rate spread, transaction costs and other premiums and discounts) during the expected lifetime of the financial instrument or an appropriate shorter period, which is exactly equal to the interest rate on the net carrying amount at the time of initial recognition.

#### 4. De-recognition of financial liabilities

When derecognizing a financial liability, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### (IX) Derivative financial instruments

The Company enters into derivative financial instruments such as forward exchange, cross-currency swap and interest rate swap contracts to manage related exchange rate and interest rate risks.

Derivative financial instruments are initially recognized at fair value, and are subsequently re-measured at fair value at the end of each reporting period. The gains or losses resulting from the subsequent measurement are directly listed in profit or loss, and are designated as effective hedging tools. The timing of recognition of derivatives in profit or loss depends on the nature of the hedging relationship. When the fair value of derivative financial instruments is positive, it is listed as a financial asset; when the fair value is negative, it is listed as a financial liability.

Changes in the fair value of hedging instruments designated and in line with fair value hedging, and changes in the fair value of the hedged items attributable to hedged risk are recognized immediately in

profit or loss.

For derivative financial instruments designated and eligible for cash flow hedging, the fair value changes as part of the effective hedging are recognized in other comprehensive income and cumulatively listed as cash flow hedging reserves of other equity items. When the hedged item is recognized in profit or loss, the amount initially recognized in other comprehensive income and cumulatively included in the cash flow hedging reserve will be reclassified to profit or loss, and will be included in the parent-only comprehensive income statement together with the recognized hedged items.

(X)Inventory

The initial cost of inventory refers to the necessary expenditures for making the inventory ready for sale or production. Among them, the fixed production overheads is allocated to finished products and work-in-progress according to the normal production capacity of the production equipment, while the variable manufacturing cost is based on the actual reduction as the basis for allocation. If the actual production capacity is not significantly different from the normal production capacity, the fixed production overheads shall be allocated according to the actual output. If the actual output is abnormally higher than the normal production capacity, the fixed production overheads shall be allocated based on the actual production capacity. Subsequently, we measure each item by the lower of cost and the net realisable value. The cost is calculated using the weighted average method, and the net realisable value is calculated by subtracting the cost and selling expenses required to complete the projects from the estimated selling price under normal business conditions on the balance sheet date.

(XI)Investments accounted for using equity method

Investments accounted for using equity method include investments in associates and joint ventures

Associates are enterprises over which the Company has significant influence, but are not subsidiaries or interests in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies.

A joint venture means that the Company and other entities engage in economic activities under joint control through contractual arrangement, which means that strategic financial and operational decisions related to the joint venture must reach the unanimous consensus of the shared controllers. If another entity is established in accordance with the joint venture agreement, each venturer has the rights and interests in the entity, and the entity is a jointly controlled entity.

Except for assets classified as held for sale, the operating results and assets and liabilities of associates and joint ventures are included in the parent-only financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognized at cost in the parent-only balance sheet, and is subsequently adjusted according to changes in the Company's share of the investee's net assets. When the Company's share of losses in associates and joint ventures exceeds its equity in the associates, it shall only recognize additional losses within the scope of legal obligations or constructive obligations incurred, or having to have made payments on behalf of associates.

The portion of the acquisition cost exceeding the Company's share of the net fair value of the identifiable assets and liabilities of the associates or joint ventures on the date of acquisition is goodwill, which is included in the carrying amount of the investment. If the share of the net fair value of the identifiable assets and liabilities of the associates or joint ventures on the date of acquisition exceeds the acquisition cost, the portion is recognized as income immediately after reassessment.

When assessing impairment, we regard the overall carrying amount (including goodwill) as a single

asset, and compare the recoverable amount (the higher of the value in use or the fair value less costs to sell) with the carrying amount for an impairment test. The recognized impairment loss is included in the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

In the event the Company does not subscribe to the new shares issued by associate or joint ventures in accordance with the shareholding percentage, which results in a change in shareholding and an increase or decrease in the net equity value of the investment, the increase or decrease shall be adjusted using the capital surplus and investments accounted for using equity method. If the ownership interest in the associate is reduced by not subscribing to or obtaining shares according to the shareholding percentage, the amount recognized in other comprehensive income related to the associate will be reclassified according to the reduction percentage, and the basis of accounting record is the same as the one followed by the associate in directly disposing of the relevant assets or liabilities.

When there are transactions between an entity and associates and joint ventures, the unrealized gains and losses are eliminated according to their proportion during consolidation.

#### (XII) Property, plant and equipment

Property, plant and equipment are recognized on the basis of acquisition cost, and are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises expenditures that are directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes raw materials and direct labour, any other directly attributable costs of bringing the asset to a usable condition for its intended use, and costs of dismantling and relocation and restoration to the original location. The aforementioned costs include renovation costs for replacing part of the plant and equipment and necessary interest expenses arising from the construction contract.

Property under construction is reported at cost less any recognized impairment losses. (Cost includes professional services fees). When such real property is completed and ready for intended use, it is classified into the appropriate category of property, plant and equipment. The depreciation basis of these assets is the same as that of other real property assets, which starts to be recognized when the assets are ready for their intended use.

Self-owned land does not recognize depreciation.

When a material component of property, plant and equipment needs to be replaced periodically, the Company treats the component as an individual asset and recognizes it as depreciation with a specific useful life and depreciation method. If material overhaul costs meet the recognition criteria, they are regarded as replacement costs and recognized as part of the carrying amount of property, plant and equipment. Other repair and maintenance expenses are recognized in profit or loss. With respect to the present value of the expected decommissioning costs after the asset is used, if it meets the recognition criteria of the provision, it will be included in the cost of the relevant asset.

If the cost of each component of property, plant and equipment is significant relative to the total cost of the item, each component is depreciated separately and treated as a separate item (material component) of property, plant and equipment.

An item of property, plant and equipment or any major component that is disposed of after initial recognition will be derecognized and then recognized in profit or loss if it is disposed of or when no future economic benefits are expected from its use or disposal. Depreciation is recognized in profit or loss over the estimated useful life of each component of an item of property, plant and equipment on a

straight-line basis as it best reflects the expected pattern of consumption of the asset's future economic effects.

Depreciation is accrued based on the following estimated useful life:

Buildings and structures	2 to 50 years
Machinery and equipment	1 to 10 years
Transportation equipment	5 to 10 years
Office equipment	5 to 8 years
Leasehold improvements	5 to 10 years
Other equipment	1 to 25 years

Depreciation adopts the straight-line method to write off the cost less the residual value of the asset over its useful life. Estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, and the effect of any change in estimate is treated on a deferred basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains or losses arising from the disposal or retirement of real property, plant and equipment are recognized in profit or loss as the difference between the disposal price and the carrying amount of the asset.

### (XIII) Leases

#### 1. Judgment on lease

The Company assesses whether the contract is or contains a lease on the date of establishment of the contract. If the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration, the contract is or contains a lease. In order to assess whether the contract is a lease, we evaluate the following items:

- (1) The contract involves the use of an identified asset that is physically distinct or represents substantially all capacity, either explicitly designated in the contract or implicitly designated by virtue of being available for use. An asset is not an identified asset if the supplier has a substantive right to substitute it; and
- (2) has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- (3) obtain the right to direct the use of identified assets when one of the following conditions is met:
  - The customer has the right to direct the use method and purpose of use of the identified assets throughout the period of use.
  - The relevant decisions about how and for what purpose the asset is used are predetermined; and
    - The customer has the right to operate the asset throughout the period of use without the supplier having the right to change those operating instructions; or
    - The way in which the customer has designed the asset predetermines how and for what purpose it will be used throughout its period of use.

On the inception date of the lease or when reassessing whether the contract includes the lease, the Company allocates the consideration in the contract to the separate lease components on the basis of relative standalone prices. However, when leasing land and buildings, the Company chooses not to distinguish between non-lease components and lease components, and instead treats them as a single

lease component.

## 2.Lessee

The Company recognizes the right-of-use asset and lease liability on the lease inception date. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, adjusting any lease payments made on or before the lease inception date, and adding all initial direct costs incurred and estimated costs of dismantling, removing and restoring the site or the underlying asset, less any lease incentives received.

The right-of-use asset recognized on a straight-line basis is depreciated from the inception of the lease date to the earlier of the end of the asset's service life or the end of the lease term. In addition, we regularly assess whether the right-of-use asset is impaired and handle any impairment loss that has occurred, and adjust the right-of-use asset in response to the remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date. If the implicit interest rate of the lease is easy to determine, the discount rate will be the interest rate; if it is not easy to determine, the incremental borrowing rate will be used. Generally speaking, we use our incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- (1)Fixed payments, including in-substance fixed payments;
- (2)Variable lease payments that depend on an index or rate, which uses the index or rate on the lease commencement date for the initial measurement;
- (3)Amounts expected to be payable under residual value guarantees; and
- (4)The exercise price of a purchase option or lease termination option reasonably certain to be exercised or the payment for the termination penalty.

The lease liability subsequently accrues interest using the effective interest method, and its amount is remeasured when the following situations occur:

- (1)Changes in the index or rate used to determine lease payments lead to changes in future lease payments;
- (2)Changes in the amounts expected to be payable under residual value guarantees;
- (3)Changes in the valuation of the underlying asset purchase option;
- (4)Changes in the assessment of whether to exercise the extension or termination option, which changes the assessment of the lease period;
- (5)Modification of the underlying asset, scope or other terms of the lease.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between this amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company expresses the right-of-use assets and lease liabilities that do not meet the



definition of investment property as separate line items in the balance sheet.

For short-term leases and leases of low-value underlying assets, we choose not to recognize the right-of-use assets and lease liabilities, but recognize the relevant lease payments as expenses during the lease period on a straight-line basis.

We choose to adopt the practical expedient approach for all rent concessions that meet all of the following conditions, and do not evaluate whether it is a lease modification:

- (1) Rent concessions that occurred as a direct result of the COVID-19 pandemic;
- (2) Changes in the lease payment which lead to the consideration of the lease after modification is almost the same as or smaller than the consideration of the lease before the change;
- (3) Any reduction in lease payments which only affects payments that were due before June 30, 2022; and
- (4) There are no material changes to the other terms and conditions of the lease.

Under the practical expedient approach, when rent concessions lead to changes in lease payments, the changes are recognized in profit or loss when the event or circumstance that initiates rental concessions occurs.

### 3.Lessor

The transaction in which the Company is the lessor is to classify the lease contract on the date of establishment of the lease according to whether it substantially transfers all the risks and rewards attached to the ownership of the underlying asset. If so, it is classified as a finance lease. Otherwise, it is classified as an operating lease. We consider relevant specific indicators including whether the lease period covers the major part of the economic life of the underlying asset in our assessment.

If we are a sublease lessor, we handle master lease and sublease transactions separately, and evaluate the classification of sublease transactions based on the right-of-use assets generated by the master lease. If the master lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

If the agreement contains lease and non-lease components, we apply the requirements of IFRS 15 to allocate the consideration in the contract.

Assets held under finance leases are expressed as finance lease receivables at the amount equal to the net investment in a lease. Initial direct costs arising from the negotiation and arrangement of operating leases are included in the net lease investment. The net lease investment is in a pattern that can reflect a constant periodic rate of return in each period, and is apportioned and recognized as interest income during the lease period. For operating leases, the Company adopts a straight-line basis to recognize the lease payments received as rental income during the lease period.

### (XIV)Investment property

The property held by the Company can only be classified as investment property if it is used to earn long-term rent or capital appreciation or both. Investment property refers to land that is leased out.

The subsequent measurement of the Company's investment property adopts the cost model, and the land is not depreciated.

### (XV)Intangible assets

#### 1.Recognition and measurement

Expenditure related to research activities is recognized in profit or loss as incurred.

Development expenditure is only capitalized when the technological or commercial feasibility of reliably measured products or processes has been achieved, bringing future economic benefits to the Company, and the Company intends and has sufficient resources to complete such development and uses or sells the asset. Other development expenditures are recognized in profit or loss as incurred. After initial recognition, capitalized development expenditures are measured at their cost less accumulated amortization and impairment losses.

Other intangible assets with limited useful lives, such as computer software, etc., acquired by the Company are measured at the cost minus accumulated amortization and impairment.

## 2.Subsequent expenditure

Subsequent expenditures are capitalized only to the extent that they increase the future economic benefits of the related specific assets. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and branding.

## 3.Amortization

Amortization, other than goodwill, is calculated as the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method from the time the intangible asset is ready for use over its projected useful life.

The projected useful lives for the current and comparative periods are as follows:

Computer software	1 to 3 years
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The Company reviews the amortization method, useful life and residual value of intangible assets, and makes appropriate adjustments when necessary.

## (XVI)Impairment of non-financial assets

For inventories, deferred income tax assets, assets arising from employee benefits, non-current assets classified as held for sale, and non-financial assets other than biological assets, the Company assesses whether impairment has occurred at the end of each reporting period, and estimates the recoverable amount if there are indications of impairment. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs to assess impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount is then adjusted to the recoverable amount, and an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss for the period.

The Company reassesses at the end of each reporting period whether there is any indication that impairment losses recognized in prior years for non-financial assets other than goodwill may have ceased to exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not more than the carrying amount after the recognized depreciation or amortization being deducted from the asset or cash-generating unit unrecognised the impairment loss the previous years.

For the purpose of impairment testing, goodwill acquired by an enterprise should be allocated to each cash-generating unit (or group of cash-generating units) of the company that is expected to benefit

from synergy. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is firstly used to reduce the carrying amount of goodwill already allocated to the cash-generating unit, and, secondly, allocated in proportion to the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

#### (XVII)Provisions

When the Company has a present obligation (legal or constructive obligation) due to past events, and is very likely to have to pay off the obligation, and can reliably estimate the amount of the obligation, the provision is recognized.

The amount recognized as a provision is the best estimate of the expenditures required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the provision is measured by the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (XVIII)Revenue from contracts with customers

Revenue is measured by the consideration to which the goods are transferred and to which they are expected to be entitled. The Company recognizes revenue when control of the goods is transferred to the customer and performance obligations are satisfied.

##### 1. Selling goods

The Company recognizes revenue when control of the goods is transferred to the customer. The transfer of control of the products means that the products have been delivered to the customer and there are no outstanding obligations that would affect the customer's acceptance of the products. Delivery is the cut-off point at which the customer has accepted the products in accordance with the transaction terms, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all acceptance criteria have been met.

The Company recognizes accounts receivable when the goods are delivered, because the Company has the unconditional right to the consideration at that point.

##### 2. Financial components

The Company expects that the time interval between the time of transferring the goods to the customer and the time when the customer pays for the goods will not exceed one year, so the Company has not adjusted the time value of money of the transaction price.

#### (XIX)Employee welfare

##### 1. Pensions

###### (1)Defined contribution plans

In the case of a defined contribution of retirement benefit plan, the amount that should be appropriated is recognized as current expenses during the employee's service tenure. For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

###### (2)Defined benefit plans

Net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Group in the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair

value of plan assets and unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date). Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. If the past service cost is immediately vested, the relevant expenses shall be recognized as profit or loss immediately; if it is not immediately vested, the relevant expenses shall be recognized as profit or loss during the average vesting period using the straight-line method.

The calculation of pension cost during the interim period adopts the pension cost rate determined by actuarial calculations at the end of the previous financial year, and is based on the beginning of the year to the end of the current period. If there are material market changes and material reductions, liquidation or other material one-off events after the end date, adjustments shall be made and relevant information shall be disclosed in accordance with the abovementioned policies.

## 2. Short-term employee benefits

Liabilities related to short-term employee benefits are measured on a non-discounted cash basis of expected payments in exchange for employee services.

Regarding the amount expected to be paid with the short-term cash bonus or bonus plan, if the Company has a current legal or constructive payment obligation due to the past service provided by the employee, and the obligation can be reliably estimated, the amount is recognized as a liability.

## 3. Remuneration for employees and directors

Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the amounts resolved by the board meeting and the subsequent actual distributed amounts is accounted for as changes in estimates.

## (XX)Government grants

When the Company can receive related government grants, it will recognize the unconditional grants as other income. For other grants related to assets, the Company recognizes them as deferred income at fair value if it can be reasonably sure that the conditions attached to the government grants will be met and the grants will be received, and the deferred income is recognized as other income on a systematic basis within the useful life of the asset. Government grants to compensate for the expenses or losses incurred by the Company are recognized in profit or loss on a systematic basis and related expenses are recognized at the same time.

## (XXI)Finance costs

Finance costs include interest expenses arising from borrowings and discounted amortization of provisions.

## (XXII)Income tax

Income tax expense is the sum of current income tax and deferred income tax. The Company determines that the interests or fines related to income tax (including uncertain tax treatment) do not meet the definition of income tax, so the accounting record of International Accounting Standard No. 37 is applicable.

### 1.Current income tax

Current income tax is based on the taxable income of the current year. Since some income and expense losses are taxable or deductible items in other years, or are not taxable or deductible items according to relevant tax laws, the taxable income is different from the net profit reported in the

parent-only comprehensive income statement. The Company calculates current income tax at the tax rates that have been legislated or substantively legislated as of the balance sheet date.

The undistributed earnings calculated in accordance with the provisions of the Income Tax Act are subject to a 5% income tax as the income tax expense for the year in which the income occurs and related liabilities are estimated and measured at the tax rate of the undistributed earnings. On the resolution date of the next year's shareholder meeting, if the amount changes due to the resolved distribution, it will be treated as a change in accounting estimate, and will be adjusted and recorded in the year of the resolution of the shareholder meeting.

## 2. Deferred income tax

Deferred tax expenses are calculated and recognized based on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax liabilities are generally recognized for all future taxable temporary differences; deferred income tax assets are only recognized when it is highly likely that there will be sufficient taxable income in the future for the use of deductible temporary differences. If the temporary difference is caused by the initial recognition of other assets and liabilities (excluding business combination), and the transaction does not affect taxable profit or accounting profit at the time, it is not recognized as deferred income tax assets and liabilities.

Taxable temporary differences related to investment in subsidiaries, associates and interests in joint ventures are all recognized as deferred income tax liabilities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences related to such investments and interests are only recognized when it is very probable that there will be sufficient taxable income to realize the benefits of the temporary differences and are in the scope of reversal in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Those unrecognised as deferred income tax assets are also reviewed at the end of each reporting period, and for those that are likely to generate taxable income for recovering all or part of the assets in the future, the carrying amount is increased.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the liability is settled or asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax effect of the method in which a company expects to recover or pay off the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred income tax assets and liabilities can only be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income tax is from the same taxable entity and related to income taxes levied by the same taxation authority.

## 3. Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, except for the current and deferred income taxes related to items recognized in other comprehensive incomes or directly in equity,

in which case, they are also recognized in other comprehensive income or directly in equity, respectively.

(XXIII)Earnings per common share

Earnings per common share are calculated by dividing net profit for the period by the weighted average number of outstanding common shares. The number of shares for cash capital increase is calculated by the weighted average method based on the number of common shares issued (base date for capital increase); however, the number of shares for the capital increase from retained earnings and capital surplus is calculated retrospectively.

(XXIV)Disclosure of operating segments' information

Operating segments are a component of the Company that engages in operating activities that may generate income and incur expenses (including revenues and expenses arising from transactions with other components within the Company). The operating results of all operating segments are regularly reviewed by the Company's chief operating decision-maker, who makes decisions on allocating resources to segments and evaluating the performance. Separate financial information is available for each operating segment.

(XXV)Comparative Information

Unless otherwise permitted or required by the International Financial Reporting Standards, the current financial report shall have comparative information from prior periods disclosed. When there is a change in accounting policy or reclassification, the comparative information should be adjusted for comparison with the financial information of the current period.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When adopting accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for relevant information that is not easy to obtain from other sources. Actual results may differ from estimates.

In preparing this parent-only financial report, the management must make judgements, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The following are other key sources of information on key assumptions concerning the future and estimation uncertainty at the reporting date. The assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(I)Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Company's assumptions about the rate of default and expected loss ratio. The Company considers historical experience, current market conditions and forward-looking information to formulate assumptions and select inputs for impairment assessments. If the actual future cash flow is less than expected, significant impairment losses may occur.

(II)Inventory valuation

As the inventory is measured based on the lower of cost and net realisable value, the Company must use judgment and estimation to determine the net realisable value of the inventory at the end of the financial reporting period.

Due to the rapid changes in technology, the Company has to assess the wear and tear, obsolescence

and market value of inventory at the end of the financial reporting period, and write down the inventory cost to the net realisable value. The inventory valuation is mainly based on the estimated demand in a specific period in the future, so significant changes may occur.

(III) Impairment assessment of tangible assets and intangible assets (excluding goodwill)

To assess assets for impairment, the Company needs to rely on subjective judgments and determine the independent cash flow of specific asset groups, the useful life of assets and the possible future income and expenses based on the asset use models and the characteristics of the construction industry. Changes in circumstances or changes in estimates brought about by corporate strategy may result in material impairment in the future.

(IV) Realizability of deferred tax assets

Deferred income tax assets are only recognized when it is highly likely that there will be sufficient taxable income in the future for the use of deductible temporary differences. When assessing the realizability of deferred income tax assets, significant accounting judgments and estimates of the management must be involved, including assumptions such as expected future revenue growth and profit margins, available income tax deductions, and tax planning. Any changes in the global economic environment, industry environment, and laws and regulations may cause material adjustments to deferred income tax assets.

(V) Net defined benefit liability -- Non-current calculation

When calculating the present value of a defined benefit obligation, the Company must use judgment and estimation to determine the relevant actuarial assumptions at the end of the financial reporting period, including the discount rate and the expected return rate of plan assets. Any change in actuarial assumptions may significantly affect the amount of the Company's defined benefit obligations.

VI. Contents of significant accounts

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash		
Cash on hand and petty cash	\$ 220	\$ 220
Checking account deposits	278	149
Demand and foreign currency deposits	202,568	340,779
	<u>\$ 203,066</u>	<u>\$ 341,148</u>

(II) Financial assets and liabilities at fair value measurement through profit or loss

	2022.12.31	2021.12.31
Financial liabilities		
Held for trading		
Forward foreign exchange contracts	\$ —	\$ 3,634
	<u>\$ —</u>	<u>\$ 3,634</u>

The Company engages in the abovementioned derivative trading primarily to hedge the exchange risk arising from exchange rate fluctuations. However, the abovementioned derivative financial instruments do not meet the criteria for effective risk avoidance, so hedge accounting is not applicable.

The Company's outstanding forward exchange contracts as of December 31, 2021 are as follows:

Term to maturity	Contract amount
April 2022	NTD (12,900) thousand / JPY (50,000) thousand
April 2022	NTD (12,880) thousand / JPY (50,000) thousand
May 2022	NTD (12,800) thousand / JPY (50,000) thousand
May 2022	NTD (12,875) thousand / JPY (50,000) thousand
June 2022	NTD (12,450) thousand / JPY (50,000) thousand

(III) Notes and accounts receivable / Overdue receivables

	2022.12.31	2021.12.31
Notes receivable - Measured at amortised cost	\$ 56,249	\$ 145,530
Less: Loss allowance	( 729 )	( 729 )
	<u>\$ 55,520</u>	<u>\$ 144,801</u>
Accounts receivable - Measured at amortised cost	\$ 290,436	\$ 337,364
Less: Loss allowance	( 740 )	( 740 )
	<u>\$ 289,696</u>	<u>\$ 336,624</u>
Overdue receivable - Measured at amortised cost	\$ 7,319	\$ 7,319
Less: Loss allowance	( 7,319 )	( 7,319 )
	<u>\$ —</u>	<u>\$ —</u>

The Company's credit period for customers is 45 days end of the month, and for some customers, it is 30 or 60 net.

For all notes receivable and accounts receivable, the Company adopts a simplified approach to estimate expected credit losses. That is, it is measured by expected credit losses during its lifetime. The expected credit losses analysis of the Company's notes receivable and accounts receivable is on December 31, 2022 and 2021 as follows:



	2022.12.31						
	Not past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Total
Expected credit loss rate	0%	0%	5%	20%	50%	100%	
Total carrying amount	\$ 314,080	\$ 30,717	\$ 1,888	\$ —	\$ —	\$ 7,319	\$ 354,004
Allowance for loss (lifetime expected credit loss)	(1,375)	—	(94)	—	—	(7,319)	(8,788)
Amortised cost	<u>\$ 312,705</u>	<u>\$ 30,717</u>	<u>\$ 1,794</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 345,216</u>

	2021.12.31						
	Not past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Total
Expected credit loss rate	0%	0%	5%	20%	50%	100%	
Total carrying amount	\$ 458,839	\$ 23,722	\$ 293	\$ 40	\$ —	\$ 7,319	\$ 490,213
Allowance for loss (lifetime expected credit loss)	(1,447)	—	(14)	(8)	—	(7,319)	(8,788)
Amortised cost	<u>\$ 457,392</u>	<u>\$ 23,722</u>	<u>\$ 279</u>	<u>\$ 32</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 481,425</u>

Information on changes in the allowance for losses on notes and accounts receivable:

	2022.01.01-12.31	110.01.01-12.31
Opening balance	\$ 8,788	\$ 16,812
Expected loss on credit impairment in the current period	—	—
Write-off in the current period	—	( 8,024 )
Ending balance	<u>\$ 8,788</u>	<u>\$ 8,788</u>

For the accounts receivable that are overdue but not yet recognized for impairment, the Company assessed that the credit quality had not been changed significantly and the relevant accounts are recoverable, in addition to the following description, so there is no concern with impairment yet.

On January 10, 2020, the Company experienced a bounced check totaling NT\$8,024 thousand with receivables from a client. Our relevant departments and legal department have simultaneously carried out control and practical actions to adjust the credit loss into accounts. We have obtained a certificate of creditor's rights, and applied a write-off for now, but we have not yet surrendered the right to sue.

Please refer to Note 8 for details of guarantee provision.

(IV)Other receivables

	2022.12.31	2021.12.31
Loans to related-parties	\$ —	\$ 130,000
Others	39,520	39,175
	<u>\$ 39,520</u>	<u>\$ 169,175</u>

(V)Inventories

	2022.12.31	2021.12.31
Raw materials	\$ 65,994	\$ 79,734
Supplies	63,305	47,062
Finished goods	442,532	435,612
Less: Allowance for losses on falling prices of inventory and inventory obsolescence	( 37,586)	( 54,386)
	<u>\$ 534,245</u>	<u>\$ 508,022</u>

1.Inventory-related expenses and losses recognized in the current period:

	2022	2021
Cost of inventories sold	\$ 2,213,575	\$ 2,603,786
Loss (profit) on inventory	—	( 8)
Revenue from sales of leftovers	( 3,784)	( 3,860)
Losses on falling prices of inventory (gains from price recovery)	( 16,800)	17,800
Expenses associated with idle capacity	77,917	6,605
	<u>\$ 2,270,908</u>	<u>\$ 2,624,323</u>

2.The insured amount of inventories on December 31, 2022 and 2021 was NT\$644,454 thousand and NT\$517,782 thousand, respectively.

3.The recovery of falling inventory price is due to the recovery of the market price of raw materials and finished products, resulting in gains from inventory recovery.

(VI)Investments accounted for using equity method

The following lists the investments accounted for using equity method:

	2022.12.31	2021.12.31
Subsidiaries	\$ 279,331	\$ 369,953
Associates	58,688	53,709
	<u>\$ 338,019</u>	<u>\$ 423,662</u>

1. The Company's subsidiaries are listed as follows:

Investee	Main businesses	Establishment and operating location	Carrying amount		Ownership interests held by the Company and voting right percentage	
			2022.12.31	2021.12.31	2022.12.31	2021.12.31
<u>Common stock</u>						
Acegreen Eco-Material Technology Co., Ltd.	Manufacturing and sales of non-woven fabrics and man-made	Ershui Township, Changhua County	\$ 246,791	\$ 336,482	100.0%	100.0%
Acenature Biotechnology Co., Ltd.	Manufacturing and sales of non-woven fabrics and man-made	Changhua City, Changhua County	32,540	33,471	100.0%	100.0%
			\$ 279,331	\$ 369,953		

The Company's initial investment in Acegreen Eco-Material Technology in 2011 was NT\$1,000 thousand, and a capital increase of NT\$249,000 was subsequently conducted to make the investment cost total NT\$250,000 thousand. In 2016, for the purpose of specialized division of labor to improve competitive advantages and business performance, the Company's Lyocell product business operations underwent a division in accordance with the Business Mergers And Acquisitions Act and relevant regulations to be transferred to the Company's wholly-owned subsidiary Acegreen Eco-Material Technology, in exchange for 25,000 thousand of common shares at NT\$10. The division was approved by the resolution of the Company's shareholder meeting on May 27, 2016, and the board of directors resolved on July 14, 2016 to have July 15, 2016 as the record date for the division, and the investment cost at NT\$500,000 thousand. There was a cash capital increase of NT\$100,000 thousand in February 2018; a capital reduction of NT\$230,000 thousand in February 2019 to make up for losses; another cash capital increase of NT\$100,000 thousand in May of the same year; another cash capital increase of NT\$50,000 thousand in November of 2021, for a total investment of NT\$750,000 thousand as of December 2022. The equity percentage acquired remained at 100.0%. In 2022 and 2021, the Company recognized investment losses, based on the financial statements audited and certified by accountants, of NT\$89,691 thousand and NT\$44,585 thousand, respectively.

The Company's initial investment in Acenature Biotechnology in 2013 was NT\$5,000 thousand. The investment cost totaled NT\$5,000 thousand, and 100.0% of equity was acquired. The board resolution at the meeting held in April 2020 approved a cash capital increase of NT\$22,500 thousand. As of December 31, 2022, the investment cost totaled NT\$27,500 thousand. In 2022 and 2021, the Company recognized investment gains, based on the financial statements audited and certified by accountants, of NT\$1,433 thousand and NT\$2,627 thousand, respectively.

2. The Company's associates are listed as follows:

Investee	Main businesses	Establishment and operating location	Carrying amount		Ownership interests and voting right percentage held by the Company	
			2022.12.31	2021.12.31	2022.12.31	2021.12.31
ADVANCE WISDOM LTD.	Overseas holding company	Seychelles	\$ 14,063	\$ 12,794	20.0%	20.0%
ALPHA BRAVE INC.	Overseas holding company	Seychelles	13,887	12,604	20.0%	20.0%
TIME GLORY CORP.	Overseas holding company	Seychelles	16,923	15,362	11.1%	11.1%
CHAMPION LEGEND CORP.	Overseas holding company	Seychelles	13,815	12,949	19.1%	19.1%
			<u>\$ 58,688</u>	<u>\$ 53,709</u>		

The total amounts of the Company's shares of associate companies recognized by the equity method in 2022 and 2021 were NT\$58,688 thousand and NT\$53,709 thousand, respectively, and the investment costs were NT\$70,751 thousand and NT\$67,939 thousand, respectively.

The invested subsidiaries ADVANCE WISDOM LTD., ALPHA BRAVE INC., TIME GLORY CORP., and CHAMPION LEGEND CORP. completed a capital increase in February 2022 for a total of NT\$2,812 thousand. The Company participated in the capital increase in accordance with the shareholding percentage. It has maintained significant control of each company, so the investments still adopt the equity method.

The invested subsidiaries TIME GLORY CORP. and CHAMPION LEGEND CORP. went through a capital increase on February 5, 2020. The Company did not participate in the capital increase according to the shareholding, dropping the percentages from 20% in each to 11.1% and 19.1%, respectively. Although the shareholding is less than 20%, the Company has maintained a significant influence control of the companies, and the investment adopts the equity method. The increase in the net equity value of NT\$307 thousand due to the non-subscription of new shares according to the shareholding percentage was recognized as capital surplus; in addition, the exchange difference realized on translation of foreign operations was reclassified as disposal losses of NT\$789 thousand.

For 2022 and 2021, the share of profits and losses of associates and joint ventures recognized by the Company using the equity method was recognized based on the financial statements audited by other accountants.

The financial information of the Company's associates is summarized as follows: (not in the order of shareholding percentage)

	2022	2021
Share of comprehensive income of associated accounted for using the equity method	( \$ 1,837 )	( \$ 1,618 )
	<u>2022.12.31</u>	<u>2021.12.31</u>
Total assets	\$ 364,716	\$ 333,190
Total liabilities	\$ —	\$ 81
	<u>2022 cumulative</u>	<u>2021 cumulative</u>
Total revenue	\$ —	\$ —
Annual total profit (loss)	( \$ 10,966 )	( \$ 9,694 )

## (VII)Property, plant and equipment

		2022.12.31			2021.12.31		
Own land		\$	170,453		\$	156,177	
Buildings and structures			152,577			160,872	
Machinery and equipment			391,045			316,567	
Other equipment			73,841			68,033	
Unfinished construction and equipment under acceptance			77,984			25,562	
		\$	865,900		\$	727,211	
		Own land	Buildings and structures	Machinery and equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
Cost							
Balance on 2022.1.1.	on	\$ 161,177	\$ 640,555	\$ 2,615,365	\$ 422,041	\$ 25,562	\$ 3,864,700
Additions		14,276	11,396	133,898	18,112	52,422	230,104
Disposal		—	—	( 56,440 )	( 7,834 )	—	( 64,274 )
Balance on 2022.12.31	on	\$ 175,453	\$ 651,951	\$ 2,692,823	\$ 432,319	\$ 77,984	\$ 4,030,530
		Own land	Buildings and structures	Machinery and equipment	Other equipment	Total	
Accumulated depreciation and impairments							
Balance on 2022.1.1.	on	\$ 5,000	\$ 479,683	\$ 2,298,798	\$ 354,008	\$ 3,137,489	
Depreciation expense		—	19,691	59,174	11,483	90,348	
Removal of Assets	- of	—	—	( 56,194 )	( 7,013 )	( 63,207 )	
Balance on 2022.12.31	on	\$ 5,000	\$ 499,374	\$ 2,301,778	\$ 358,478	\$ 3,164,630	
		Own land	Buildings and structures	Machinery and equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
Cost							
Balance on 2021.1.1		\$ 161,177	\$ 637,764	\$ 3,022,280	\$ 411,654	\$ —	\$ 4,232,875
Additions		—	2,791	44,217	14,169	25,562	86,739
Disposal		—	—	( 451,132 )	( 3,782 )	—	( 454,914 )
Balance on 2021.12.31		\$ 161,177	\$ 640,555	\$ 2,615,365	\$ 422,041	\$ 25,562	\$ 3,864,700

	Own land	Buildings and structures	Machinery and equipment	Other equipment	Total
<u>Accumulated depreciation and impairments</u>					
Balance on 2021.1.1	\$ 5,000	\$ 459,113	\$ 2,688,535	\$ 346,706	\$ 3,499,354
Depreciation expense	—	20,570	59,942	11,065	91,577
Removal - Disposal of Assets	—	—	( 449,679 )	( 3,763 )	( 453,442 )
Balance on 2021.12.31	\$ 5,000	\$ 479,683	\$ 2,298,798	\$ 354,008	\$ 3,137,489

The material components of the Company's buildings include the main factory building, lifting equipment, air-conditioning system, etc., and their service life is 2 to 50 years.

1. For collateral used by the Company as guarantee for borrowings or issue of corporate bonds as of December 31, 2022 and 2021, please refer to Note 8.
2. Land, buildings and structures, machinery and other equipment were reevaluated in accordance with the previous Generally Accepted Accounting Principles when they were used in 2012 as the recognized cost. In 2022 and 2021, property, factory buildings and other equipment were partially reevaluated due to disposal. The undistributed earnings from the lifting of restricted reversal of special reserves were NT\$6 thousand and NT\$2,485 thousand, respectively.
3. The insured amounts on December 31, 2022 and 2021 were \$2,250,662 thousand and \$2,119,224 thousand, respectively.

(VIII)Lease agreement

- 1.The changes in the cost, depreciation and impairment loss of the Company's leased land, buildings and buildings are as follows:

	Land	Buildings and structures	Total
Cost of right-of-use assets:			
Balance on January 1, 2022	\$ 27,613	\$ 4,512	\$ 32,125
Additions	4,835	2,712	7,547
Less	( 1,346 )	—	( 1,346 )
Balance on December 31, 2022	\$ 31,102	\$ 7,224	\$ 38,326
Depreciation and impairment loss of right-of-use assets			
Balance on January 1, 2022	\$ 4,332	\$ 2,943	\$ 7,275
Depreciation for the year	3,405	1,716	5,121
Less	( 607 )	—	( 607 )
Balance on December 31, 2022	\$ 7,130	\$ 4,659	\$ 11,789
Carrying amount:			
December 31, 2022	\$ 23,972	\$ 2,565	\$ 26,537

	Land	Buildings and structures	Total
Cost of right-of-use assets:			
Balance on January 1, 2021	\$ 5,175	\$ 4,512	\$ 9,687
Additions	24,066	—	24,066
Less	( 1,628 )	—	( 1,628 )
Balance on December 31, 2021	\$ 27,613	\$ 4,512	\$ 32,125
	Land	Buildings and structures	Total
Depreciation and impairment loss of right-of-use assets			
Balance on January 1, 2021	\$ 2,902	\$ 1,227	\$ 4,129
Depreciation for the year	3,058	1,716	4,774
Less	( 1,628 )	—	( 1,628 )
Balance on December 31, 2021	\$ 4,332	\$ 2,943	\$ 7,275
Carrying amount:			
December 31, 2021	\$ 23,281	\$ 1,569	\$ 24,850

2.The details of lease liabilities are as follows:

	2022.12.31	2021.12.31
Carrying amount of lease liabilities		
Current	\$ 4,844	\$ 3,198
Non-current	\$ 21,414	\$ 21,207
Range of discount rates for lease liabilities		
Right to land, buildings and structures	1.84%	1.84%

3.We lease land and houses under long-term leases used as warehouses, factory land and offices. The lease period expires between 2024 and 2032. When the lease expires or is terminated, the buildings on the ground must be retained for the lessor. After the expiry of the lease, we have the priority right to renew the contract.

Our expected rent payable in the future is summarized as follows:

Duration	Amount
Within 1 year	\$ 5,251
1 to 5 years	14,103
Over 5 years	9,089
	\$ 28,443

4.Lease liabilities/Operating lease

(1) The amounts recognized in profit or loss for leases are as follows:

	2022	2021
Interest expenses on lease liabilities	\$ 417	\$ 355
Variable lease payments not included in the measurement of the lease liability	\$ —	\$ —
Income from sublease of right-of-use assets	\$ —	\$ —
Short-term lease expense	\$ 3,164	\$ 2,898
Expenses on low-value leased assets (low-value leases excluding short-term leases)	\$ —	\$ —

(2) Amounts recognized in the cash flow statement are as follows:

	2022	2021
Total cash used in leases	\$ 8,119	\$ 7,623

(IX) Investment property

	2022.12.31	2021.12.31
Land	\$ —	\$ —
Less: Accumulated impairments	—	—
	\$ —	\$ —

Main investment assets of the Company are as follows:

Property	Lease period	Lessee	2022	2021
			Rental income	Rental income
Land plots #120, 162, 163, 304, 305, 306, 331, 333, 334, 335, 336, 700 in Lin-Zi-Tou Section 12 of Gaochuo, Gukeng Township, Yunlin County	2020.11.1 ~2023.10.31 (original lease period)	Ming-Hu ang Kao	\$ —	\$ 19
			\$ —	\$ 19

1. Originally expected to be used as the expansion for ultra-fine fiber composite yarns, elastic fibers and spinning equipment. The land measures about 5.09 hectares (12 land plots), of which 5.07 hectares are agricultural and animal husbandry land. The land is registered under supervisor Wen-Po Yang, and the trust possession and second mortgage have been set. The land has been provided as a guarantee for a bill finance company to issue long-term notes. However, in response to the sales mentioned in Note 5 below, the mortgage has been written off.
2. In order to make efficient use of the land, the Company first leased out the abovementioned land, and evaluated it based on the lower of the net realisable value or book value, and recognized an impairment of NT\$92,862 thousand based on the appraisal report.
3. The fair value of the investment property held by the Company is NT\$80,498 thousand, which was evaluated by external appraisers.
4. The 2018 annual general meeting resolved to fully authorize the board to handle the revitalization of assets of land plots in Gukeng Township in Yunlin County, provided that the listed amount does not fall below NT\$80,498 thousand.



5. In June 2021, the contract for the sale of 12 plots of land in the Lin-Zi-Tou Section of Gaochuo in Gukeng Township, Yunlin County was signed. The total land sale price was NT\$81,000 thousand (tax included). Business tax and land value-added tax were deducted, and relevant disposal fees were paid, and The transfer procedures were completed in August 2021.

(X)Other non-current assets

	2022.12.31	2021.12.31
Prepayments for equipment	\$ 14,538	\$ 22,274
Refundable deposit	2,142	1,768
	<u>\$ 16,680</u>	<u>\$ 24,042</u>

1.The capitalized interests of prepayment for equipment in 2022 and 2021 were NT\$2,367 thousand and NT\$700 thousand, respectively. Ranges of interest rates were 1.613% to 2.107% and 1.585% to 1.611%, respectively.

(XI)Short-term borrowings

	2022.12.31	2021.12.31
Short-term secured loans	\$ 100,000	\$ —
Funds borrowed to purchase materials	222,864	—
	<u>\$ 322,864</u>	<u>\$ —</u>
	1.95%~2.23%	—

Please refer to Notes 7 and 8 for details of guarantee provision.

(XII)Other accounts payable

	2022.12.31	2021.12.31
Payroll payable	\$ 21,089	\$ 37,324
Payable on machinery and equipment	39,337	22,117
Director and supervisor remuneration payable	—	7,321
Employee remuneration payable	—	7,321
Other accrued expenses	70,487	85,943
	<u>\$ 130,913</u>	<u>\$ 160,026</u>

(XIII)Provisions -- Current

	2022.12.31	2021.12.31
Employee short-term paid-leave reserve	\$ 5,618	\$ 7,319
	<u>\$ 5,618</u>	<u>\$ 7,319</u>
1. Employee short-term paid-leave reserve		
	2022.12.31	2021.12.31
Opening balance	\$ 7,319	\$ 6,777
Add (less)	( 1,701 )	542
Ending balance	<u>\$ 5,618</u>	<u>\$ 7,319</u>

2. Provision is mainly based on history, experience, management judgment and other reasons that have been mentioned to estimate the likelihood of employee paid leave. It is expected that the provision will be used within one year.

(XIV) Bonds payable

	2022.12.31	2021.12.31
First series domestic secured corporate bonds	\$ —	\$ 300,000
Less: Discount on corporate bonds payable	—	( 3,040 )
	—	296,960
Less: Mature within one year	—	( 296,960 )
	\$ —	\$ —

1. The issuance criteria for the Company's first series domestic secured convertible bonds are as follows:

- (1) The Company was approved by the competent authority to raise and issue the first series of domestic secured corporate bonds. The total issue amount was NT\$300,000 thousand, the par value was NT\$1,000 thousand, and bonds were issued in full at the par value on the issue date, with a coupon rate of 0.97%. The maturity period of 5 years is from November 22, 2017 to November 22, 2022. The principal is repaid in one payment at maturity, which is 5 years from the issue date. As of November 22, 2022, the repayment has been made, and the de-registration was completed on November 23, 2022.
- (2) Simple interest payment on the coupon rate for the outstanding balance is made once a year starting the issue date. Interest is calculated to the one place of the NTD of the par value, and rounded up if the amount is less than one dollar. If the principal and interest payment date falls on the day when the payor bank of the place of payment is closed for the day, the principal and interest will be paid on the business day following the closed business day, and no additional interest will be paid. No additional interests are calculated paid for those who receive principal and interests after the principal and interest payment date.
- (3) Land Bank of Taiwan performs the guarantee of the corporate bonds in accordance with the delegation guarantee contract.

2. As of December 31, 2022 and 2021, the amortization of discount on bonds payable for the secured ordinary corporate bond was NT\$3,040 thousand and NT\$3,408 thousand, respectively.

3. The guarantee fee for the Company's issuance of secured corporate bonds is calculated at an annual rate of 11/1000, with one year as one period, and the annual guarantee fee receivable is NT\$3,333 thousand.

4. Please refer to Notes 7 and 8 for details of guarantee provision.

(XV)Long-term borrowings

Type of borrowings	Maturity date	2022.12.31	2021.12.31
Secured loans	2038.07	\$ 220,816	\$ 185,866
		220,816	185,866
Less: Mature within one year		( 75,340 )	( 50,150 )
		\$ 145,476	\$ 135,716

1.Long-term secured loans from banks will mature between September 2023 and July 2038, and the repayments are in accordance with the agreements of each secured loan.

2.2022 and 2021 ranges of interest rates for bank secured loans were 1.89% to 2.44% and 1.38% to 1.82%, respectively.

3.The land in Gukeng was sold in 2021. Please refer to Note 6 (9) for details.

4.Please refer to Notes 7 and 8 for details of guarantee provision.

(XVI)Employee welfare

1. Defined benefit plans

The Company has established a retirement plan for employees based on the Labor Standards Act, which is considered a defined-benefit pension plan. According to the provisions of the plan, employee pensions are calculated based on years of service and the average salary the six months before retirement is approved. The Company contributes a monthly amount equal to 2% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the labor retirement fund supervisory committee.

The composition, changes in present value, service costs recognized as expenses and key actuarial assumptions associated with the Company's defined-benefit obligations are explained as follows:

(1)Actuarial assumptions on the reporting date:

	2022.12.31	2021.12.31
Discount rate	1.3%	0.7%
Expected future salary increases	2.00%	2.00%

(2)Amounts of pension costs recognized as expenses related to the defined-benefit plan are listed as follows:

	2022	2021
Current service cost	\$ 311	\$ 528
Net interest on the net defined benefit liability (asset)	261	157
Pension expense (benefit)	\$ 572	\$ 685

(3)The amounts included in the balance sheet of the Company's obligations arising from the defined-benefit plan are listed as follows:

	2022.12.31	2021.12.31
Defined benefit obligations	(\$ 98,192 )	(\$ 115,868 )
Fair value of plan assets	92,976	77,731
Net defined-benefit asset (liability)	(\$ 5,216 )	(\$ 38,137 )
(Net defined benefit liability -- Non-current)		

(4)Changes in present value of defined benefit obligation:

	2022	2021
Beginning defined benefit obligations	\$ 115,868	\$ 126,931
Current service cost	311	528
Interest cost of defined benefit obligation	753	359
Benefit payments	( 6,861 )	( 9,638 )
Actuarial gains or losses	( 11,879 )	( 2,312 )
Ending defined benefit obligations	\$ 98,192	\$ 115,868

(5)Changes in the fair value of plan assets in the current year are listed as follows:

	2022	2021
Beginning fair value of plan assets	\$ 77,731	\$ 73,772
Expected interest income on plan assets	492	202
Plan asset benefit payments	( 6,861 )	( 9,638 )
Gain (loss) in return on plan assets	5,074	1,080
Contributions by employer	16,540	12,315
Ending fair value of plan assets	\$ 92,976	\$ 77,731

(6)Compositions in the percentage of the fair value of plan assets are listed as follows:

	2022.12.31	2021.12.31
Cash and cash equivalents	100.00%	100.00%
Others	—	—
Fair value of plan assets (%)	100.00%	100.00%

The expected rate of return on overall assets is based on historical return trends and analysts' forecasts of the assets' market during the lifetime of the relevant obligations, and with reference to the use of labor pension funds by the labor retirement fund supervisory committee, while considering that the minimum return is not lower than the 2-year time deposit interest from local banks. The actual returns on plan assets for 2022 and 2021 were \$5,566 thousand and \$1,282 thousand,

respectively.

The historical information on experience adjustment is listed as follows:

	2022.12.31	2021.12.31
Defined benefit obligations	( \$ 98,192 )	( \$ 115,868 )
Fair value of plan assets	92,976	77,731
Net defined-benefit asset (liability)	( \$ 5,216 )	( \$ 38,137 )
Experience adjustments on plan liabilities	( \$ 11,879 )	( \$ 2,312 )
Experience adjustments on plan assets	( \$ 5,074 )	( \$ 1,080 )

The Company recognized NT\$16,952 thousand and NT\$3,392 thousand of actuarial (loss) gain in other comprehensive income in 2022 and 2021, respectively; and the accumulated actuarial gains recognized in other comprehensive income was NT\$6,414 thousand as of December 31, 2022.

In 2022, the Company expected to allocate NT\$1,522 thousand to the defined-benefit plan in the next fiscal year.

## 2. Defined contribution plans

The Company has established a retirement plan for employees based on the Labor Pension Act, which is considered a defined-contribution plan. An amount equal to 6% of employees' monthly salaries and wages is allocated to employees' personal pension accounts at the Bureau of Labor Insurance on a monthly basis.

In accordance with the above relevant regulations, the Company's pension costs recognized as expenses in the statement of comprehensive income in 2022 and 2021 are explained as follows:

	2022	2021
Amount of contribution in the defined contribution plan	\$ 7,022	\$ 6,199
Total pension cost	\$ 7,022	\$ 6,199

As of December 31, 2022, the overdue contribution amount that had not been paid to the plan for the reporting period of 2022 was NT\$1,160. The amount was paid after the end date of the reporting period.

3. Please refer to Note 6 (13) for information on the employee short-term paid-leave reserve.

## (XVII)Capital

As of December 31, 2022 and 2021, the Company's authorized capital was \$3,000,000 thousand, and the paid-in capital was NT\$1,111,573 thousand, and there were 111,157 thousand shares in both years, with a par value of NT\$10.

## (XVIII)Capital surplus

	2022.12.31	2021.12.31
Issue of shares at premium	\$ 244,864	\$ 266,754
Conversion premium from convertible bonds	99,187	99,187
Employee stock options -- Expired	21,411	21,411
Trading of treasury stock	1,900	1,900
Convertible bonds -- Expired stock options	62,631	62,631
Loss of right of action for not claiming dividends in previous years	853	853
Changes in shares of associates and joint ventures recognized under the equity method	307	307
	\$ 431,153	\$ 453,043

1. According to the provisions of the Company Act, the capital surplus shall not be used except to make up for the Company's losses and to be allocated to working capital. Capital reserves should not be used to cover accumulated deficits unless the legal reserve is insufficient.
2. In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on the issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, the capitalization is limited to a certain percentage of the paid-in capital every year. In addition, changes in ownership interests in subsidiaries are recognized to offset losses.
3. On October 15, 2010, the board resolution approved the issue of 20,000 thousand new shares for a cash capital increase, of which 15%, a total of 3,000 thousand shares, was reserved for employees subscription. On October 25, 2010, the weighted average fair value of NT\$9.15 per share as calculated by the actual recognized remuneration cost of NT\$27,453 thousand. Actual employee stock subscription of NT\$6,744 thousand was transferred to the premium of the issued shares, while the remaining recognized capital surplus -- expired employee stock options was NT\$20,709 thousand.
4. On September 30, 2014, the board resolution approved the issue of 5,000 thousand new shares for a cash capital increase, of which 15%, a total of 750 thousand shares, was reserved for employees subscription. On October 25, 2014, the weighted average fair value of NT\$0.95 per share as calculated by actuary recognized remuneration cost of NT\$713 thousand. Actual employee stock subscription of NT\$11 thousand was transferred to the premium of the issue shares, while the remaining recognized capital surplus -- expired employee stock options was NT\$702 thousand.
5. For the domestic 2nd series unsecured convertible corporate bond issued by the Company, the put option has expired on January 14, 2016, so the relevant capital surplus was reclassified and adjusted by NT\$5,154 thousand.
6. For the domestic 3rd series unsecured convertible corporate bond issued by the Company, the put option has been exercised on September 24, 2017, so the relevant capital surplus was reclassified and adjusted by NT\$31,360 thousand.
7. For the domestic 2nd series unsecured convertible corporate bond issued by the Company, the put option has expired on January 14, 2018, so the relevant capital surplus was reclassified and adjusted by NT\$4,369 thousand.
8. Please refer to Note 6 (19) for the information on distribution of cash from capital surplus.

(XIX) Retained earnings

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts are distributed to the following accounts in their respective order:
  - (1) Withholding taxes.
  - (2) Make up for past losses.
  - (3) Allocated 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted.
  - (4) Allocated or reversed special reserve.
  - (5) The surplus is added to the accumulated undistributed earnings of the previous year to become the earnings available for distribution. The board reserves part of the earnings to meet the need of business operations, and then drafts a distribution proposal.

The allocation in the form of issuing new shares should be proposed to the shareholder meeting for resolution. Pursuant to Paragraph 5, Article 240 of the Company Act, the Company may authorize the board of directors to distribute dividends, profit-sharing, legal reserve and capital reserve (subject to compliance with Article 241 of The Company Act) wholly or partially in cash. Such decisions must be approved in a board meeting with at least two-thirds of directors present and supported by more than half of attending directors, and reported during a shareholder meeting afterwards.

2. In order to meet the needs of sustainable operations, capital expansion and healthy development, and in consideration of maximizing shareholder value, the Company's dividend policy shall appropriately distribute stock dividends and cash dividends in accordance with the Company's future capital expenditure budget and capital needs. The board is authorized to set the actual distribution percentage in accordance with the Company's capital status and capital budget situation.
3. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (22).
4. The resolution of the shareholder meeting on August 20, 2021 approved the motion to make up for the 2020 losses:

	2020	
	Amount	Dividends per share (NT\$)
Legal reserve	\$ —	
Cash dividends	—	\$ —
	<u>\$ —</u>	

5. The 2020 current net profit should be used to make up for losses first in accordance with the Articles of Incorporation. Therefore, the board resolution at the meeting held on March 24, 2021 decided not to distribute the profit. In order to improve the financial structure, the earned surplus is used to make up for losses as follows: After reversing the restricted special surplus of NT\$46,390 thousand, the loss to be made up for the period is NT\$130,964 thousand. The legal reserve of NT\$55,462 thousand and the special reserve of NT\$75,502 thousand are used to make up for losses. The loss to be made up at the end of the period after the abovementioned reserves are used to make up losses is NT\$0.

According to the provisions of the Tai-Tsai-Zheng-Yi-Zi Document #0910128347, if the Company has used special earned surplus to make up for losses, it should prioritize making up for the shortfall of the special earned surplus in the future years with surplus before distributing earnings.

6. The shareholder meeting resolution on June 29, 2022 approved the 2021 earnings distribution shown as follows:

	Accumulated earnings distribution	Dividends per share (NT\$)
	2021	2021
Beginning undistributed earnings	\$ —	
Add: Special reserve that can be reversed and released from restrictions (Note 1)	2,485	
Add: Net effect of remeasurement of defined-benefit plans	2,714	
Add: 2021 net income after taxes	177,878	
Unappropriated earnings	183,077	
Less: Allocated legal reserve	( 18,308 )	
Less: Make up the 2020 special reserve to make up for losses (Note 2)	( 75,502 )	
Earnings available for distribution in the current period	89,267	
Distributions:		
Cash dividends	( 89,267 )	\$ 0.8031
Ending undistributed earnings	<u>\$ —</u>	

	Distribution of capital surplus	
	2021	
Issue of shares at premium	\$ 266,755	
Distributions:		
Cash dividends	( 21,890 )	\$ 0.1969
Balance after distribution	\$ 244,865	

Note 1: 2021 reversal of restricted special reserve that has been disposed of

Note 2: According to the provisions of the Tai-Tsai-Zheng-Yi-Zi Document #0910128347, if the Company has used special earned surplus to make up for losses, it should prioritize making up for the shortfall of the special earned surplus in the future years with surplus before distributing earnings.

7. The 2021 earnings distribution proposal has been approved at the shareholder meeting as of the issue date of the accountant's audit report. For information on the board's approval of the proposal and the shareholder meeting's resolution on the distribution of earnings, please visit the Market Observation Post System of the Taiwan Stock Exchange.

8. Due to the 2022 current net loss, the board resolution at the meeting held on March 21, 2023 decided not to distribute the profit.

9. The proposal for 2022 earnings distribution is expected to be reported at the annual general meeting held on June 16, 2023.

10. The legal reserve should be allocated until its total amount reaches the total paid-in capital. Legal reserve is used to make up for the Company's losses. If the Company has no losses, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed in newly issued stocks or cash to shareholders in proportion to their shareholding.

(XX) Operating revenue

	2022	2021
Sales income	\$ 2,471,328	\$ 3,179,255
Sales return and discount	( 29,155 )	( 13,044 )
Net purchase	\$ 2,442,173	\$ 3,166,211

	2022	2021
Revenue from contracts with customers		
Revenue from product sales	\$ 2,442,173	\$ 3,166,211
Net purchase	\$ 2,442,173	\$ 3,166,211

(1) Disaggregation of revenue

	2022	2021
Main products		
Yarn	\$ 788,768	\$ 970,541
Textured yarn	1,429,091	1,887,393
Others	224,314	308,277
	\$ 2,442,173	\$ 3,166,211

Cut-off point of revenue recognition



	2022	2021
Cut-off point of revenue recognition		
Goods sales -- At a point in time	\$ 2,442,173	\$ 3,166,211
	<u>\$ 2,442,173</u>	<u>\$ 3,166,211</u>

(2) Contract balance

As of December 31, 2022 and 2021, the balance of contract liabilities from goods sales were NT\$9,711 thousand and NT\$8,056 thousand, respectively. Changes in contract liabilities are primarily attributable to differences in the timing of fulfilling performance obligations and the timing of payment by customers.

(XXI) Non-operating income and expenses

1. Other income

	2022	2021
Rental income	\$ 76	\$ 19
Revenue from bailout grants	—	4
Revenue from other government grants	4,306	9,713
Other income -- Others	16,162	7,583
	<u>\$ 20,544</u>	<u>\$ 17,319</u>

The revenue from bailout grants refers to the Company's application to the Ministry of Economic Affairs for salary payments for businesses in difficulties, subsidies for working capital and reduction in water and electricity utilities due to the pandemic.

2. Other benefits and losses

	2022	2021
Gains (losses) on disposal of property, plant and equipment	(\$ 555)	(\$ 286)
Losses on disposal of investment property	—	( 6,789)
Gain (loss) on foreign exchange	60,923	( 12,453)
Gains (losses) on valuation of financial assets and liabilities	3,634	( 3,634)
Other miscellaneous expenses	( 1,885)	( 1,285)
	<u>\$ 62,117</u>	<u>(\$ 24,447)</u>

3. Finance costs

	2022	2021
Interest expense	\$ 11,951	\$ 10,337
Less: Capitalized interest	( 2,367)	( 700)
	<u>\$ 9,584</u>	<u>\$ 9,637</u>

## (XXII)Employee benefits, depreciation, depletion and amortization in the current period

		2022		
		Operating costs	Operating expenses	Total
Employee benefits expenses				
Payroll expenses	\$	161,220	\$ 49,391	\$ 210,611
Labor and health insurance fees		18,104	7,779	25,883
Pension expense		4,699	2,895	7,594
Directors' remuneration	—		3,611	3,611
Other benefit expenses		9,256	3,118	12,374
Depreciation expense		91,874	3,595	95,469
Amortization expense		12,104	450	12,554
		2021		
		Operating costs	Operating expenses	Total
Employee benefits expenses				
Payroll expenses	\$	171,548	\$ 66,689	\$ 238,237
Labor and health insurance fees		17,065	6,570	23,635
Pension expense		4,525	2,936	7,461
Directors' remuneration	—		8,293	8,293
Other benefit expenses		8,974	3,204	12,178
Depreciation expense		91,812	4,539	96,351
Amortization expense		10,243	83	10,326

According to provisions of the Articles of Incorporation, 3-5% of the profit of the current year is distributable as employee remuneration and no higher than 4% of the profit of the current year is distributable as remuneration to directors. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses, before using the remaining profit for distribution of remuneration. Employee bonus may be paid in stock or cash, and director bonus can only be paid in cash. The employees to whom the Company distributes remuneration, issues restricted stock award, share subscription warrants, subscription of new shares and transfers repurchased shares should be those who meet the criteria of being in the Company or affiliated companies of which the Company has more than 50% of the ownership. The Company has had no supervisor since the re-election of directors at the shareholder meeting on August 20, 2021. The Audit Committee now performs duties of former supervisors. Matters related to the payment of employee remuneration and directors' remuneration are handled in accordance with relevant laws and regulations, determined by the board, and reported to the shareholder meetings.

The 2022 and 2021 remuneration to employees and directors are estimated based on the net profit before tax for the year before deduction of remuneration for employees and directors and are NT\$0 thousand and NT\$14,642 thousand, respectively.

The board meeting on March 10, 2022 and the shareholder meeting on June 29, 2022 approved the 2021 remuneration of NT\$16,486 thousand to employees and directors, a difference of NT\$1,844 thousand from the estimated expenses, which has been recognized as the 2022 profit or loss.

The board meeting held on March 21, 2023 resolved to issue 2022 remuneration of NT\$0 thousand to employees and directors, which is consistent with the amount recognized in the 2022 financial report.

Information about employees' remuneration and directors' and supervisors' remuneration of the Company as resolved by the board and approved by the shareholder meeting will be posted in the Market Observation Post System.

As of December 31, 2022 and 2021, there were 363 and 377 employees, respectively, which included 8 and 9 directors, respectively, who did not hold a concurrent employee position.

The additional disclosure information on employee benefit expenses in 2022 and 2021 is as follows:

1. The employee benefit expense for 2022 is \$722 thousand ((Current year's total employee benefit expense - Remunerations to directors) / (Current year's number of employees - Number of directors who do not hold concurrent employee positions)).
2. The employee benefit expense for 2021 was \$765 thousand ((Previous year's total employee benefit expense - Remunerations to directors) / (Previous year's number of employees - Number of directors who do not hold concurrent employee positions)).
3. Average employee salary expense for 2022 was \$593 thousand (Total salary expense for the current year / "Number of employees for the current year - Number of directors who do not hold concurrent employee positions").
4. Average employee salary expense for 2021 was \$647 thousand (Total salary expense for the previous year / "Number of employees for the previous year - Number of directors who do not hold concurrent employee positions").
5. The average of employee salary expense is adjusted by (8.35%) ((This year's average of employee salary expense - Previous year's average of employee salary expense) / Previous year's average of employee salary expense)).
6. The 2021 remuneration to supervisors was NT\$2,150 thousand.
7. The Company's salary and remuneration policy:

(1) Overall remuneration policy

50% of the average market price for general positions, and 75% to 90% higher than the average market price for key positions or where market supply and demand are out of balance.

(2) Starting salary for new employees

We have salary management measures which clearly stipulate the starting salary for new employees.

(3) Salary adjustment

a. New hires

After the probation period, the salary of new hires may be adjusted by the unit supervisor's approval in accordance with the salary management measures.

b. Current employees

(a) When an employee is promoted, the salary is adjusted in accordance with the salary management measures.

(b) When an employee gets transferred from an administrative or technical position to a managerial position, the salary is adjusted in accordance with the salary management measures.

(c) For employees who display outstanding performance but there are no higher positions a rank higher for promotion, the head of the unit will report the specific performance and contribution to the president for approval of individual salary adjustment.

(4) Salaries expense investment

The overall remuneration of individual employees and the total cost of remuneration for all employees must be considered from the Company's long-term interests to ensure a stable investment in human capital.

(5) According to subparagraph 14 of Article 14 of the Articles of Incorporation, "The remuneration of directors is subject to Article 196 of the Company Act". The board is authorized to determine the remuneration based on their level of participation in and contribution to the Company's operation. The remuneration follows the standard among industry peers. The remuneration of the chairman shall be calculated based on the income received from the president. The remuneration of the remaining directors shall be paid at a standard that does not exceed the highest salary of the company's employee salary scale.

(XXIII)Income tax

1. Income tax recognized in profit or loss

	2022	2021
Current income tax		
Value-added tax on disposal of investment property and land	\$ —	\$ 52
Current adjustment based on the income tax in the previous year	647	2,877
Total current tax	647	2,929
Deferred income tax		
Loss deduction	( 932 )	12,140
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	5,950	( 1,517 )
Income tax expense (benefit)	\$ 5,665	\$ 13,552

(1)Components of income tax expense:

The accounting income for the current year and the income tax expenses recognized in profit and

loss are adjusted as follows:

	2022	2021
Net profit before tax (net loss)	\$ (61,079)	\$ 191,430
Tax calculated based on profit before tax and statutory tax rate	\$ (12,216)	\$ 38,286
Effect of adjustments on income tax		
Current adjustment based on the income tax expense in the previous year	647	2,877
Value-added tax on disposal of investment property and land	—	52
Amounts affected by items that are not included in the calculation of taxable income	60	( 1 )
Previous unrecognised temporary differences used to reduce current income tax	—	( 18,572 )
Unrecognised temporary differences and loss deduction	17,174	( 9,090 )
Income tax expense (benefit) recognized in profit or loss	\$ 5,665	\$ 13,552

(2) Income tax recognized in other comprehensive income

	2022	2021
Income tax expense (benefit)		
Related to remeasurement of defined-benefit plans	\$ 3,390	\$ 678
	\$ 3,390	\$ 678

2. Attribution of deferred income tax assets and liabilities:

2022	Opening balance	Current changes	Ending balance
Temporary difference			
Debit/(Credit) income statement			
Unrealized loss on inventory	\$ 10,877	( \$ 3,360 )	\$ 7,517
Net defined benefit liability -- Non-current	9,334	( 3,178 )	6,156
Employee short-term paid-leave reserve	1,464	( 340 )	1,124
Others	143	928	1,071
Subtotal	21,818	( 5,950 )	15,868
Loss deduction	7,330	932	8,262
Debit/(Credit) other comprehensive income			
Remeasurement of defined-benefit plans	2,109	( 3,390 )	( 1,281 )
Deferred income tax assets	\$ 31,257	( \$ 8,408 )	\$ 22,849

2021	Opening balance	Current changes	Ending balance
Temporary difference			
Debit/(Credit) income statement			
Unrealized loss on inventory	\$ 7,317	\$ 3,560	\$ 10,877
Net defined benefit liability -- Non-current	11,531	( 2,197 )	9,334
Employee short-term paid-leave reserve	1,355	109	1,464
Others	99	44	143
Subtotal	20,302	1,516	21,818
Loss deduction	19,470	( 12,140 )	7,330
Debit/(Credit) other comprehensive income			
Remeasurement of defined-benefit plans	2,787	( 678 )	2,109
Deferred income tax assets	\$ 42,559	( \$ 11,302 )	\$ 31,257

Part of the deferred income tax assets and liabilities are expressed as the net amount after offset because the taxpayer and the tax authority are the same.

3. Deductible temporary difference unrecognised as deferred income tax assets and unused tax losses:

	2022.12.31	2021.12.31
Impairment loss	\$ 1,800	\$ 1,800
Allowance for bad debts	2,886	3,663
Loss in long-term equity investments	53,577	35,558
Loss deduction	8,262	7,330
Loss on disposal of investments	158	158
Unrealized loss of financial assets	—	727
	<u>\$ 66,683</u>	<u>\$ 49,236</u>

4. Unused loss deduction and tax exemption:

As of December 31, 2022, the relevant information on loss deduction is as follows:

Loss year	Balance not yet deducted	Final year of deduction	
2019	\$ 74,666	2029	(Approved)
2022	5,587	2032	(Estimated number to be filed)
	<u>\$ 80,253</u>		

5. The Company's 2020 income tax settlement and declaration have been reviewed and approved by the tax authority as of December 31, 2022.

(XXIV)Earnings (loss) per share

The numerator and denominator for calculating earnings per share are disclosed as follows:

		2022		
		Amount after tax	Weighted average share outstanding (thousand shares)	Earnings (loss) per share (NT\$)
Basic earnings per share	Net profit (loss) for the year attributable to the parent company	( \$ 66,744 )	111,157	( \$ 0.60 )
		2021		
		Amount after tax	Weighted average share outstanding (thousand shares)	Earnings (loss) per share (NT\$)
Basic earnings per share	Net profit (loss) for the year attributable to the parent company	\$ 177,878	111,157	\$ 1.60

(XXV)Capital management

Based on the characteristics of the current industry and the future development of the Company, and considering factors such as changes in the external environment, we plan the working capital and dividend payments needed in the future to ensure that the Company can continue to operate, reward shareholders and take into account the interests of stakeholders, and maintain the optimal capital structure to enhance shareholder value in the long run.

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares, return cash capital to shareholders, or buy back the Company's shares.

Our management regularly reviews the capital structure and considers possible risks and opportunities with which it may be associated. In general, we adopt a prudent risk management strategy.

(XXVI)Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 230,104	\$ 86,739
Less: Reclassification of prepayments for equipment	—	( 77,408 )
Add: Opening balance of payable on equipment	22,117	20,192
Less: Ending balance of payable on equipment	( 39,337 )	( 22,117 )
Cash paid during the year	\$ 212,884	\$ 7,406

(XXVII)Changes in liabilities arising from financing activities

	Balance on 2022.01.01	Cash flow	Non-cash transactions	Balance on 2022.12.31
Short-term borrowings	\$ —	\$ 322,864	\$ —	\$ 322,864
Corporate bonds payable (including current portion)	300,000	( 300,000 )	—	—
Long-term bank borrowings (including current portion)	185,866	34,950	—	220,816
Lease liabilities -- (Current and non-current)	24,405	( 4,955 )	6,808	26,258
	\$ 510,271	\$ 52,859	\$ 6,808	\$ 569,938

	Balance on 2021.01.01	Cash flow	Non-cash transactions	Balance on 2021.12.31
Corporate bonds payable (including current portion)	\$ 300,000	\$ —	\$ —	\$ 300,000
Long-term bank borrowings (including current portion)	170,281	15,585	—	185,866
Long-term notes payable	85,000	( 85,000)	—	—
Lease liabilities -- (Current and non-current)	5,065	( 4,726)	24,066	24,405
	<u>\$ 560,346</u>	<u>(\$ 74,141)</u>	<u>\$ 24,066</u>	<u>\$ 510,271</u>

VII. Related party transaction

(I) Name and nature of relationship of the related parties

Name of the related parties	Relationship with the Company
Wen-Tung Chou	Chairman of the Company
Wen-Po Yang	Director of the Company
Ming-Yi Lai	Vice president
Acegreen Eco-Material Technology Co., Ltd.	100% wholly owned subsidiary
Acenature Biotechnology Co., Ltd.	100% wholly owned subsidiary

(II) Transaction details between the Company and its subsidiaries are disclosed as follows:

1. Operating revenue

Name of the related parties	2022	2021
Acegreen Eco-Material Technology Co., Ltd.	\$ 7,365	\$ 7,601
Acenature Biotechnology Co., Ltd.	12,875	12,935
	<u>\$ 20,240</u>	<u>\$ 20,536</u>

The Company's sales to related parties adopts the pricing in regular sales. As a way to show support of subsidiaries' operation, the sales is not subject to the restrictions of payment terms.

2. Purchase

Name of the related parties	2022	2021
Acegreen Eco-Material Technology Co., Ltd.	\$ 645	\$ 26
Acenature Biotechnology Co., Ltd.	2	—
	<u>\$ 647</u>	<u>\$ 26</u>

There are no material abnormalities in the transaction prices of the related party compared to that of non-related parties.

3. Manpower support for other companies (including deduction in operating costs and operating expenses)

Name of the related parties	2022	2021
Acegreen Eco-Material Technology Co., Ltd.	\$ 9,612	\$ 15,523
Acenature Biotechnology Co., Ltd.	1,632	1,308
	<u>\$ 11,244</u>	<u>\$ 16,831</u>



#### 4. Manufacturing expenses

Name of the related parties	2022	2021
Acegreen Eco-Material Technology Co., Ltd.	\$ 610	\$ —
	\$ 610	\$ —

#### 5. Operating expenses

Name of the related parties	2022	2021
Acegreen Eco-Material Technology Co., Ltd.	\$ 222	\$ 1,349
Acenature Biotechnology Co., Ltd.	346	242
	\$ 568	\$ 1,591

#### 6. Notes receivable and accounts receivable

Name of the related parties	2022.12.31	2021.12.31
Acegreen Eco-Material Technology Co., Ltd.	\$ 6,432	\$ 5,866
Acenature Biotechnology Co., Ltd.	665	1,535
	\$ 7,097	\$ 7,401

#### 7. Other receivables

Name of the related parties	2022.12.31	2021.12.31
Acegreen Eco-Material Technology Co., Ltd.	\$ 31,282	\$ 29,165
Acenature Biotechnology Co., Ltd.	352	345
	\$ 31,634	\$ 29,510

#### 8. Accounts payable

Name of the related parties	2022.12.31	2021.12.31
Acegreen Eco-Material Technology Co., Ltd.	\$ 494	\$ 282
Acenature Biotechnology Co., Ltd.	160	40
	\$ 654	\$ 322

#### 9. Other income

Name of the related parties	2022	2021
Acegreen Eco-Material Technology Co., Ltd.	\$ 1,491	\$ 891
Acenature Biotechnology Co., Ltd.	178	163
	\$ 1,669	\$ 1,054

#### 10. Loans to related parties

##### (1) Other receivables

Name of the related parties	2022.12.31	2021.12.31
Acegreen Eco-Material Technology Co., Ltd.	\$ —	\$ 130,000

(2)Interest income

Name of the related parties	2022	2022
Acegreen Eco-Material Technology Co., Ltd.	\$ 645	\$ 2,325

11. Guarantee deposit received

Name of the related parties	2022.12.31	2021.12.31
Acegreen Eco-Material Technology Co., Ltd.	\$ 12	\$ —
	\$ 12	\$ —

12. Endorsement and guarantee

- (1) The details of the amount of guarantee provided by the Company for related parties to apply for bank loans are as follows:

	2022.12.31	2021.12.31
Name of the related parties	Amount	Amount
Acegreen Eco-Material Technology Co., Ltd.	\$ 1,294,015	\$ 1,230,940
	\$ 1,294,015	\$ 1,230,940

- (2) The Company and Chairman Wen-Tung Chou serve as the joint guarantors for loans to the Company's subsidiary Acegreen Eco-Material Technology Co., Ltd.
- (3) Chairman Wen-Tung Chou, director Wen-Po Yang, Vice President Ming-Yi Lai and the subsidiary Acegreen Eco-Material Technology Co., Ltd. serve as joint guarantor for the issue of 2017 first series secured corporate bonds, and the joint guarantee was terminated in January 2022.
- (4) Chairman Wen-Tung Chou, director Wen-Po Yang, Vice President Ming-Yi Lai serve as joint guarantors for the Company's borrowings.

13. Others

The shareholder general meeting held on June 20, 2001 resolved that 1% of guarantee amount provided by directors and supervisors for the Company's borrowings should be appropriated as joint guarantee remuneration for directors and supervisors, calculated according to the separate guarantee period. Starting October 2003, 1% remuneration was reduced to 0.5% for credit loans, and for pledged loans, the 0.5% remuneration was reduced to 0.25%. In 2022 and 2021, the joint guarantee remuneration for directors and supervisors were NT\$869 thousand and NT\$1,282 thousand, respectively.

Compensation of key management personnel

	2022.12.31	2021.12.31
Short-term employee benefits	\$ 13,018	\$ 20,385
Post-employment benefits	51	51
Total	\$ 13,069	\$ 20,436

# VIII. Pledge assets

The breakdown of assets pledged by the Company as collaterals are as follows:

Asset name	2022.12.31	2021.12.31	Purpose
Notes receivable	\$ 57,227	\$ 145,995	Long- and short-term borrowings
Other financial assets -- Current (including non-current)	74,016	56,515	Technology project guarantee, long-term borrowings, bonds payable, short-term borrowings
Property, plant and equipment	491,318	396,760	Long- and short-term borrowings
	<u>\$ 622,561</u>	<u>\$ 599,270</u>	

# IX. Material contingent liabilities and unrecognised contractual commitments

(I) As of December 31, 2022, the balance of unused letters of credit issued by the Company for imported raw materials or equipment included JPY 24,000 thousand, USD 455 thousand, EUR 238 thousand and NTD 231,126 thousand.

(II) The Company acted as the guarantor for endorsement of the related party Acegreen Eco-Material Technology Co., Ltd. to take loans from Land Bank of Taiwan, at NT\$14,015 thousand; Mega International Commercial Bank, at NT\$130,000 thousand; Mega Bills Finance, at NT\$1,100,000 thousand; and Taichung Commercial Bank, at NT\$50,000 thousand (totaling NT\$1,294,015 thousand).

(III) We intend to purchase new production equipment for the needs of business expansion. Contracts worth a total amount of NTD 81,853 thousand (including tax) have been signed for the purchase of property, plants and equipment. As of December 31, 2022, a purchase amount of NT\$20,823 thousand (including tax) has not been paid.

X. Losses due to material disasters: None.

XI. Material subsequent issues: None.

XII. Others

Financial instruments

(I) Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest (excluding long-term and short-term borrowings and corporate bonds payable) and excluding the impact of netting agreements for derivative liabilities:

	2022.12.31				
	Carrying amount	Contractual cash flow	Within 1 year	1 to 5 years	Over 5 years
<b><u>Non-derivative financial liabilities</u></b>					
Short-term borrowings	\$ 322,864	\$ 322,864	\$ 322,864	\$ —	\$ —
Accounts payable	329,417	329,417	328,970	447	—
Long-term bank borrowings (Mature within one year)	220,816	220,816	75,340	126,246	19,230
Lease liabilities (current and non-current)	26,258	28,443	5,251	14,103	9,089
	<u>\$ 899,355</u>	<u>\$ 901,540</u>	<u>\$ 732,425</u>	<u>\$ 140,796</u>	<u>\$ 28,319</u>

2021.12.31					
	Carrying amount	Contractual cash flow	Within 1 year	1 to 5 years	Over 5 years
<b><u>Derivative financial liabilities</u></b>					
Financial liabilities at fair value measurement through	\$ 3,634	\$ 3,634	\$ 3,634	\$ —	\$ —
<b><u>Non-derivative financial liabilities</u></b>					
Accounts payable	519,118	519,118	516,748	2,370	—
Bonds payable (Mature within one year)	296,960	300,000	300,000	—	—
Long-term bank borrowings (Mature within one year)	185,866	185,866	50,150	114,391	21,325
Lease liabilities (current and non-current)	24,405	26,638	3,845	11,749	11,044
	<u>\$ 1,029,983</u>	<u>\$ 1,035,256</u>	<u>\$ 874,377</u>	<u>\$ 128,510</u>	<u>\$ 32,369</u>

The Company does not expect that the cash flow analyzed for the maturity date will be significantly earlier or the actual amount will be significantly different.

## (II)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk includes currency risk and interest rate risk.

### 1.Foreign exchange risk

Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

We have certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. We also use forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. The aforementioned natural hedge and forward exchange contract in managing exchange risk do not comply with the rules of hedge accounting, so we have not adopted hedge accounting.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk includes currency risk and interest rate risk.

### 2.Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from floating-rate loans.

3.The pre-tax sensitivity analysis of related risk changes in 2022 and 2021 is as follows:

2022		
Major risks	Fluctuation	Profit or loss sensitivity
Foreign exchange risk	NTD/USD exchange rate +/- 1%	3,675 thousand
Interest rate risk	Market rate +/- 10 basis points	544 thousand
2021		
Major risks	Fluctuation	Profit or loss sensitivity
Foreign exchange risk	NTD/USD exchange rate +/- 1%	4,661 thousand
Interest rate risk	Market rate +/- 10 basis points	483 thousand

### (III)Fair value information

- The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:  
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.  
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.  
Level 3: Unobservable inputs for the asset or liability.
- Financial instruments not measured at fair value, including the carrying amounts of financial assets and liabilities measured at amortised cost as reasonable approximation of fair value.
- For financial assets traded in an active market, their fair value is determined based on market quotation price on the balance sheet date. When quotes are readily and regularly available from a stock exchange, dealer, broker, industry, rating agency or regulatory agency, and such quotes represent actual and regular market transactions on an arm's length basis, the market is considered an active market. The quoted price of financial assets held by the Group is the closing price, and the instruments are considered in Level 1. Level 1 instruments primarily include equity instruments and debt instruments, which are classified as financial assets and liabilities at fair value measurement through profit or loss.
- For financial instruments that are not traded in an active market (such as derivatives traded over the counter), the fair value is determined using valuation techniques. Valuation techniques use as much possible observable market data (if available) and rely as little as possible on company-specific estimates. If all significant inputs required to calculate fair value of an instrument are observable, the instrument is included in Level 2.
- If one or more significant inputs are not obtained based on observable market data, the financial instrument is in Level 3.
- Specific valuation techniques used to value financial instruments include:
  - (1)Open market quotations or dealer quotations for instruments of the same type.
  - (2)The fair value of interest rate exchange is the present value of the estimated future cash flow discounted according to the observable yield curve.

(3)The fair value of a forward exchange contract is determined by discounting the forward exchange rate on the balance sheet date to the present value.

(4)Other valuation techniques to determine the fair value of other financial instruments, such as discounted cash flow analysis.

7. There were no transfers between Level 1 and 2 in the periods between January 1 and December 31, 2022 and 2021.

8. Between January 1 and December 31, 2022 and 2021, there were no transfers in or out of Level 3.

9. Fair value information: Types and fair values of financial instruments

The Company's financial assets at fair value measurement through profit or loss are measured at fair value on a recurring basis. The carrying amount and fair value (if the carrying amount of a financial instrument not measured at fair value is a reasonable approximation to fair value, it is not required to disclose the fair value information according to regulations) of various financial assets and financial liabilities are shown as follows:

	2021.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value measurement through profit or loss					
Financial liabilities at fair value measurement through profit or loss -- Non-current	\$ 3,634	\$ —	\$ 3,634	\$ —	\$ 3,634

#### (IV)Financial risk management

The Company's principal financial risk management objective is to manage the exchange rate risk, interest rate risk, credit risk and liquidity risk related to its operating activities. We are committed to identifying, assessing and avoiding market uncertainties to minimize potential adverse effects on the Company's financial performance due to changes in financial markets.

Before entering into significant transactions, due approval process by the board must be carried out based on related standards and internal control protocols. During the implementation of the financial plan, the Company must prudently follow the relevant financial operating procedures regarding overall financial risk management and division of powers and responsibilities.

#### (V)Significant influence on financial assets and liabilities denominated in foreign currencies

Entities' significant influence on financial assets and liabilities denominated in foreign currencies:

	2022.12.31		2021.12.31	
	Foreign currency	Exchange rate	Foreign currency	Exchange rate
Financial assets				
Monetary items				
US dollars	\$ 12,104	30.84	\$ 16,919	27.75
Euro	47	32.19	—	—
Non-monetary items				
Japanese yen	27,552	0.24	4,400	0.25
Financial liabilities				
Monetary items				
US dollars	\$ 187	31.04	\$ 119	27.87
Japanese yen	24,000	0.23	—	—
Non-monetary items				
US dollars	189	30.67	99	28.49

### XIII. Supplementary Disclosures

#### (I) Significant transactions information

1. Loans to others: Table 1.
2. Provision of endorsements and guarantees to others: Table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of property exceeding \$300 million or 20% of paid-in capital or more: None.
6. Disposal of property exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Financial instruments and derivative transactions: Please refer to Note 6 (2).

#### (II) Information on investees:

Names, locations and other information of investee companies: Table 3.

#### (III) Information on investments in China: None.

#### (IV) Information on principal shareholders: Table 4.

### XIV. Operating Segments Information

The Company has disclosed the operating department information in the 2022 consolidated financial report in accordance with the regulation.

Table 1

Loans to others

2022

Unit: NT\$ thousands

Code (Note 1)	Company that lent funds	Borrowing party	General ledger account (Note 2)	Related party?	Maximum balance of the period (Note 3)	Ending balance (Note 8)	Actual amount drawn down	Range of interest rate	Nature of loan (Note 4)	Amount of transaction with borrower (Note 5)	Reason for short-term financing (Note 6)	Amount of recognized allowance for bad debts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loan granted (Note 7)
													Item	Value		
0	The Company	Acegreen Eco-Material Technology Co., Ltd.	Other receivables	Yes	371,000	350,000	—	2.48%	Short-term financing	—	Business operations	—	None		638,357	638,357

Note 1: The explanation of the Code column is as follows:

(1) Issuer fills in 0.

(2) The subsidiaries are numbered in order starting from 1.

Note 2: Accounts receivable from affiliates and related parties, shareholders' transactions, prepayments, temporary payments and others must be filled in this field if they are considered loans in nature.

Note 3: Maximum balance of funds loaned to others in the current year.

Note 4: The nature of the loan should be listed as business transactions or those that have the needs for short-term financing.

Note 5: If the nature of the loans is business transactions, the amount of transactions should be filled in. The amount of transactions refers to the amount between the company which provides the loans and the borrower.

Note 6: If the nature of the loans is short-term financing, the reasons for borrowing and the purposes of the loans must be specified, such as repayment of loans, purchase of equipment, business operations and others.

Note 7 : Procedures for Lending Funds to Others:

(I) A company with which the Company has business dealings:

1. Restriction on the total amount of loans: No more than 20% of the shareholders' equity in the Company's latest financial statement.

2. Limits for a single enterprise: Evaluated based on the amount of business transactions between the enterprise and the Company in the last 6 months, not exceeding 10% of the shareholder's equity in the Company's latest financial statement.

(II) There is a need for short-term financing:

1. Restriction on the total amount of loans: No more than 40% of the shareholders' equity in the Company's latest financial statement.

2. Limits for a single enterprise: Evaluated based on the working capital needs of the Company within 1 year, not exceeding 40% of the shareholder's equity in the Company's latest financial statement.

(III) Restriction on the cumulative amount of loans: No more than 40% of the shareholders' equity in the Company's latest financial statement.

(IV) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the



abovementioned (I) and (II) paragraphs. However, the total amount of loans shall not exceed the Company's shareholders' equity in the latest financial statements, and the loan period and interest calculation shall comply with the provisions of Article 6 of the procedures.

Note 8: If a publicly traded company wishes to propose the entries of loans to the board for resolution in accordance with Paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amounts determined by the board shall be listed in the announced balance before the disbursement of loans to disclose the risks the Company undertakes. The remaining balances after repayments should also be disclosed to reflect the adjustment of risks.

According to Paragraph 2, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, once the board authorizes the chairman to issue the loans in multiple disbursements at a specific amount within a year or in a revolving credit line, the limit of the loan authorized by the board should still be put in the public announcement. This is in consideration of the fact that loans may be given out again after the repayments, so the amounts determined by the board shall be listed in the announced balance.

Table 2

Provision of endorsements and guarantees to others

2022

Unit: NT\$ thousands

Code (Note 1)	Endorsement guarantee company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/g uarantee amount for the period (Note 4)	Outstanding endorsement/gua rantee amount for the period (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements /guarantees secured with collateral	Percentage of accumulated endorsement/gua rantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 3)	Provision of endorsements /guarantees by parent company to subsidiary (Note 7)	Provision of endorsements /guarantees by subsidiary to parent company (Note 7)	Provision of endorsements /guarantees to the party in China (Note 7)
		company name	Relationship with the Company (Note 2)										
0	The Company	Acegreen Eco-Mat erial Technolo gy Co., Ltd.	2	1,276,715	1,294,015	1,294,015	896,588	120,577	81.08%	1,595,893	Y		
1	Acegreen Eco-Material Technology Co., Ltd.	The Compan y	3	370,187	315,000	—	—	—	—	370,187		Y	

Note 1: The explanation of the Code column is as follows:

(1) Issuer fills in 0.

(2) The subsidiaries are numbered in order starting from 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of categories each case belongs to:

(1) A company with which it has business dealings.

(2) The Company directly or indirectly holds more than 50% of the voting shares of the other company.

(3) The other company directly or indirectly holds more than 50% of the voting shares of the Company.

(4) The Company directly or indirectly holds more than 90% of the voting shares of the other company.

(5) Companies that are mutually protected due to mutual endorsement between industry partners or joint construction builders based on the needs of the project.

(6) A company endorsed or guaranteed by all contributing shareholders in the order of their shareholding proportion for a co-investment relationship.

(7) Industry partners who are engaged in the sales of pre-construction homes and conduct joint guarantee for the performance of contracts based on the Consumer Protection Act.

Note 3: (1) The guarantee amount of Acelon Chemicals &amp; Fiber's endorsement of a single enterprise is capped at 80% of Acelon's shareholders' equity in the latest financial

statements. The total guarantee amount of Acelon Chemicals & Fiber's endorsement is capped at 100% of Acelon's shareholders' equity in the latest financial statements.

- (2) The guarantee amount of Acegreen Eco-Material Technology's endorsement of a single enterprise is capped at the net worth of Acegreen's latest financial statements. However, for the parent which directly or indirectly holds 100% voting rights of Acegreen, the amount of guarantee for endorsement is capped at 150% of Acegreen's net worth. The total guarantee amount of Acegreen Eco-Material Technology's endorsement is capped at the net worth of Acegreen's latest financial statements. However, for the parent which directly or indirectly holds 100% voting rights of Acegreen, the total amount of guarantee for endorsement is capped at 150% of Acegreen's net worth.

Note 4: Maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the board. However, if the board authorizes the chairman to make decisions in accordance with Paragraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount is considered the chairman's decision.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by the listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in China.

Table 3

Names, locations and other information of investee companies (2022)

Unit: NT\$ thousands

Name of Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as of the end of period			Net profit (loss) of the investee for the current period (Note 2 (2))	Investment income(loss) recognized by the Company for the current period (Note 2 (3))	Remarks
				Balance at the end of period	End of the previous year	Number of Shares	Ownership	Carrying amount			
The Company	Acegreen Eco-Material Technology Co., Ltd.	Changhua County, Taiwan	Manufacturing and sales of non-woven fabrics and man-made fibers	75,0000	750,000	52,000,000	100.0%	246,791	(89,691)	(89,691)	Subsidiaries (Note 3)
The Company	Acenature Biotechnology Co., Ltd.	Changhua County, Taiwan	Non-woven fabrics and man-made fibers manufacturing and sales	27,500	27,500	3,000,000	100.0%	32,540	1,433	1,433	Subsidiaries (Note 3)
The Company	ADVANCE WISDOM LTD.	Seychelles	Offshore holding company	17,307 (USD542 thousand)	16,463 (USD512 thousand)	—	20%	14,063	(2,719)	(544)	Investments accounted for using equity method
The Company	ALPHA BRAVE INC.	Seychelles	Offshore holding company	17,050 (USD534 thousand)	16,206 (USD504 thousand)	—	20%	13,887	(2,544)	(509)	Investments accounted for using equity method
The Company	TIME GLORY CORP.	Seychelles	Offshore holding company	20,036 (USD625 thousand)	19,184 (USD595 thousand)	—	11.1%	16,923	(3,819)	(424)	Investments accounted for using equity method
The Company	CHAMPION LEGEND CORP.	Seychelles	Offshore holding company	16,358 (USD510 thousand)	16,086 (USD500 thousand)	—	19.1%	13,815	(1,884)	(360)	Investments accounted for using equity method

Note 1: If the publicly listed company has an offshore holding company and uses the consolidated financial report as the main financial report in accordance with the local laws and regulations, the disclosure of the overseas invested company may only disclose the relevant information of the holding company.

Note 2: Those that are not as described in Note 1 shall be filled in accordance with the following rules:

- (1) "Investee," "Location," "Main business activities," "Initial investment amount" and "End-of-year shareholdings" are to be filled on order of the Company (publicly listed) and its re-investment and all investees either directly or indirectly invested and the further re-investment. The relation (either subsidiaries or second-tier subsidiaries) between investees and the Company (publicly listed) are to be specified in the remarks field.
- (2) The field of "Net profit (loss) of the investee for the year ended" shall have the profit or loss of each investee filled in.
- (3) The field of "Investment income (loss) recognized by the Company for the year ended" only requires the Company (publicly listed) to recognize the directly-invested subsidiaries and the profit or loss incurred by adopting the equity method, and the rest can be omitted. When filling in "Recognition of profit or loss in directly-invested subsidiaries for the year", make sure that the profit or loss of subsidiary have included their own profit or loss incurred in their re-investment.

Table 4: Information on principal shareholders

2022:

Unit: Thousand shares

Name of Principal Shareholders	Number of shares	Percentage of ownership (%)
Shao-Hua Chou	6,520 thousand shares	5.86%
Ming-Yi Lai	6,047 thousand shares	5.43%
Honghou Investment	6,220 thousand shares	5.59%

Note: If the Company applies to the TDCC for the information in this table, it may explain the following matters in the notes attached to this table.

- (1) The information on principal shareholders presented in this schedule is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the Company's financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

Acelon Chemicals & Fiber Co., Ltd.

List of Significant Accounts

2022

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Acelon Chemicals & Fiber Co., Ltd.  
Cash and Cash Equivalents Schedule  
December 31, 2022

Unit: NT\$ thousands

Description	Summary	Amount	Remarks
Cash		220	
Bank savings			
Demand deposit		18,499	
Checking account deposits		278	
Deposit in foreign currency	USD 5,984,045.23, exchange rate at 30.76	184,069	
Total		203,066	



Acelon Chemicals & Fiber Co., Ltd.  
Net Notes Receivable Schedule  
December 31, 2022

Unit: NT\$ thousands

Customer name	Summary	Amount	Remarks
Yen Hsing Textile Co., Ltd.	Payment for goods	11,836	The balance of each client not exceeding 5% of the balance of this item
Volunteer Enterprise Co., Ltd.	Payment for goods	6,505	
Dong In Enterprise Co., Ltd.	Payment for goods	4,097	
Others	Payment for goods	33,811	
Total		56,249	
Less: Loss allowance		(729)	
Total		55,520	

Acelon Chemicals & Fiber Co., Ltd.  
Net Accounts Receivable Schedule  
December 31, 2022

Unit: NT\$ thousands

Customer name	Summary	Amount	Remarks
COMEXPORT TRADING COMERCIO EXTERIOR LTDA.	Payment for goods	42,488	The balance of each client not exceeding 5% of the balance of this item
Honmyue Enterprise	Payment for goods	33,451	
HUVISPAN INDUSTRIA E COMERCIO DE FIOS LTDA.	Payment for goods	20,757	
Yuui Shhang Enterprise Co., Ltd.	Payment for goods	17,010	
TEXTIL FARBE S.A	Payment for goods	15,772	
Others	Payment for goods	161,629	
Less: Allowance for sales returns and discounts		(671)	
Subtotal		290,436	
Less: Loss allowance		(740)	
Total		289,696	

Acelon Chemicals & Fiber Co., Ltd.  
Inventory Schedule  
December 31, 2022

Unit: NT\$ thousands

Description	Summary	Amount		Remarks
		Cost	Market value	
Raw materials		65,994	64,403	Replacement cost
Supplies		63,305	61,312	Replacement cost
Finished goods		442,532	422,557	Net realisable value
Subtotal		571,831	548,272	
Less: Allowance for losses on falling prices of inventory and inventory obsolescence		(37,586)	—	
Total		534,245	548,272	

Acelon Chemicals & Fiber Co., Ltd.  
Prepayment Schedule  
December 31, 2022

Unit: NT\$ thousands

Description	Summary	Amount	Remarks
Prepaid expenses			
Prepaid insurance premiums		1,741	
Others		18,424	
Office supply inventory		32,842	
Advance payment for materials		375	
Business tax paid		789	
Total		54,171	

Acelon Chemicals & Fiber Co., Ltd.  
Other Financial Assets Schedule  
December 31, 2022

Unit: NT\$ thousands

Description	Summary	Amount	Remarks
Other financial assets -- Current	Restricted bank deposits	65,380	
Other financial assets -- Non-current	Restricted bank deposits	8,636	
Total		74,016	

Acelon Chemicals & Fiber Co., Ltd.  
Schedule of Changes in Investments Accounted for Using Equity Method  
January 1 to December 31, 2022

Unit: NT\$ thousands

Item	Opening amount		Increase this period		Decrease this period		Ending balance			Equity net value (Note 1)	Guarantee or pledge
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Percentage of ownership (%)	Amount		
Acegreen Eco-Material Technology Co., Ltd.	52,000,000	336,482	—	—	—	89,691	52,000,000	100.0%	246,791	246,791	None
Acenature Biotechnology Co., Ltd.	3,000,000	33,471	—	1,433	—	2,364	3,000,000	100.0%	32,540	32,540	None
ADVANCE WISDOM LTD.	—	12,794	—	1,813	—	544	—	20.0%	14,063	14,063	None
ALPHA BRAVE INC.	—	12,604	—	1,792	—	509	—	20.0%	13,887	13,887	None
TIME GLORY CORP.	—	15,362	—	1,985	—	424	—	11.1%	16,923	16,925	None
CHAMPION LEGEND CORP.	—	12,949	—	1,226	—	360	—	19.1%	13,815	13,845	None
Total		423,662		8,249		93,892			338,019		

Note 1: Please refer to Note 6 (6) of the financial report.

Note 2: The increase for the period includes capital increase and investment income.

Note 3: The decrease in the current period includes investment gains and losses, cash dividends distributed, cumulative translation adjustments, etc.

Acelon Chemicals & Fiber Co., Ltd.  
Short-Term Borrowings Schedule  
December 31, 2022

Unit: NT\$ thousands

Creditors	Summary	Amount Borrowed	Contract Duration	Interest Rate	Pledge or Guarantee	Remarks
Mega International Commercial Bank	Funds borrowed to	3,517	2022.12.01~2023.03.31	2.23%	Land and plants	
Mega International Commercial Bank	Funds borrowed to	38	2022.12.02~2023.04.01	2.23%	Land and plants	
Mega International Commercial Bank	Funds borrowed to	12,280	2022.12.15~2023.04.14	2.23%	Land and plants	
Mega International Commercial Bank	Funds borrowed to	823	2022.12.29~2023.04.28	2.23%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	12,686	2022.10.17~2023.04.15	1.95%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	11,522	2022.09.15~2023.03.14	1.95%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	93,262	2022.11.30~2023.11.15	1.95%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	3,647	2022.10.17~2023.04.15	1.95%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	31,101	2022.09.15~2023.03.14	1.95%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	37,250	2022.11.15~2023.05.14	1.95%	Land and plants	
Taiwan Cooperative Bank	Funds borrowed to	16,738	2022.11.15~2023.11.15	1.95%	Land and plants	
Land Bank of Taiwan	Secured borrowings	100,000	2022.09.07~2023.01.05	2.10%	Reserve account	
Total		322,864				

Acelon Chemicals & Fiber Co., Ltd.  
Schedule of Contract Liabilities -- Current  
December 31, 2022

Unit: NT\$ thousands

Description	Summary	Amount	Remarks
Prepayment	ZANOTTI INDUSTRIA E COMERCIO LTDA.	3,287	
	SINGTEX Industrial Co., Ltd.	859	
	TEXTILE CITY CORPORATION	781	
	FITAS ELASTICAS ESTRELA DO NORDESTE LTDA.	643	
	Shyang Yih Co., Ltd.	639	
	Besta Plus International Co., Ltd.	604	
	Others	2,898	The balance of each client not exceeding 5% of the balance of this item
Total		9,711	



Acelon Chemicals & Fiber Co., Ltd.  
Notes Payable Schedule  
December 31, 2022

Unit: NT\$ thousands

Customer name	Summary	Amount	Remarks
Goyun Security Company		258	
Changsheng Plastic Co., Ltd.		415	
Others		4	The balance of each client not exceeding 5% of the balance of this item
Total		677	

Acelon Chemicals & Fiber Co., Ltd.  
Accounts Payable Schedule  
December 31, 2022

Unit: NT\$ thousands

Customer name	Summary	Amount	Remarks
Zig Sheng Industrial Co. Ltd.	Payment for goods	24,349	The balance of each client not exceeding 5% of the balance of this item
Li Peng Enterprise Co. Ltd.	Payment for goods	110,343	
Others		63,135	
Total		197,827	

Acelon Chemicals & Fiber Co., Ltd.  
Other Current Liabilities Schedule  
December 31, 2022

Unit: NT\$ thousands

Description	Summary	Amount	Remarks
Temporary credits	Grants from the Bureau of Energy of the Ministry of Economic Affairs	2,374	
Receipts under custody	Labor and health insurance premiums and income tax withholding	389	
Total		2,763	

Acelon Chemicals & Fiber Co., Ltd.  
Lease Liabilities Schedule  
December 31, 2022

Unit: NT\$ thousands

Description	Lease Period	Discount rate	Amount
Land use rights	2016.01~2032.01	1.84%	23,693
Building use rights	2020.06~2025.05	1.84%	2,565
Mature within one year			26,258 (4,844)
Total			21,414

Acelon Chemicals & Fiber Co., Ltd.  
Long-Term Borrowings Schedule  
December 31, 2022

Unit: NT\$ thousands

Creditors	Summary	Amount Borrowed	Contract Duration	Interest Rate	Pledge or Guarantee	Remarks
Taiwan Cooperative Bank	Secured borrowings	11,983	2017.09.27~2023.09.27	2.25%	Machinery and equipment	
Land Bank of Taiwan	Secured borrowings	13,899	2018.07.11~2038.07.11	1.89%	Land and plants	
Taiwan Cooperative Bank	Secured borrowings	59,248	2019.04.29~2025.04.29	2.25%	Land and plants Notes receivable	
Shanghai Commercial and Savings Bank	Secured borrowings	35,000	2021.09.30~2024.09.30	2.01%	20% of deposit	
Bank SinoPac	Secured borrowings	15,686	2020.11.30~2027.11.30	2.44%	Machinery and equipment	
Taiwan Cooperative Bank	Secured borrowings	85,000	2022.12.27-2027.12.27 272727	2.08%	Machinery and equipment	
Subtotal		220,816				
Less: Amount matured within one year		(75,340)				
Total		145,476				

Acelon Chemicals & Fiber Co., Ltd.  
Operating Income Schedule  
January 1 to December 31, 2022

Unit: NT\$ thousands

Description	Sales quantity (KG)	Amount	Remarks
Nylon yarn	9,540,329	788,357	
Polyester yarn	10,398	411	
Nylon textured yarn	10,933,858	1,221,080	
Polyester textured yarn	1,926,664	208,010	
Others	—	224,315	
Total		2,442,173	

Acelon Chemicals & Fiber Co., Ltd.  
Schedule of Operating Costs  
January 1 to December 31, 2022

Unit: NT\$ thousands

Description	Amount
Costs of purchase and sales	-
Opening supply materials	79,734
Add: Net incoming materials in the current period	1,475,132
Cost additions (re-input of finished goods, etc.)	1,342,631
Less: Ending supply materials	(65,994)
Others (resale of raw materials, etc.)	(12,060)
Consumption in this period	2,819,443
Direct labour	83,698
Manufacturing expenses	648,916
Manufacturing cost	3,552,057
Add: Opening work-in-progress	-
Less: Ending work-in-progress	-
Cost of finished goods	3,552,057
Add: Opening finished goods	435,613
Others (purchased finished goods, etc.)	126,112
Less: Ending finished goods	(442,532)
Others (reclassified raw materials, etc.)	(1,367,510)
Cost of manufacturing and sales	2,303,740
Less: Deduction of cost of manufacturing and sales	(33,977)
Total cost of manufacturing and sales	2,269,763
Other operating costs	1,145
<b>Total operating cost</b> <b>Operating cost grand total</b>	<b>2,270,908</b>

Acelon Chemicals & Fiber Co., Ltd.  
Schedule of Manufacturing Expenses  
January 1 to December 31, 2022

Unit: NT\$ thousands

Description	Amount
Indirect labor	71,797
Packaging fee	115,675
Water, electricity and gas utilities	201,599
Depreciation	70,545
Consumed supplies	44,309
Indirect supplies	85,852
Others (Note)	59,139
Total	648,916

Note: Each of remaining items did not exceed 5% of the amount.



Acelon Chemicals & Fiber Co., Ltd.  
Marketing Expenses Schedule  
January 1 to December 31, 2022

Unit: NT\$ thousands

Description	Amount
Salaries expense	9,665
Shipping expenses	12,415
Commission expenses	12,982
Export charges	75,593
Others (Note)	10,456
Total	121,111

Note: Each of remaining items did not exceed 5% of the amount.

Acelon Chemicals & Fiber Co., Ltd.  
Schedule of Administrative Expenses  
January 1 to December 31, 2022

Unit: NT\$ thousands

Description	Amount
Salaries expense	28,793
Insurance premium	6,861
Service charge	6,508
Other service fees	3,121
Others (Note)	13,089
Total	58,372

Note: Each of remaining items did not exceed 5% of the amount.

Acelon Chemicals & Fiber Co., Ltd.  
Schedule of Research and Development Expenses  
January 1 to December 31, 2022

Unit: NT\$ thousands

Description	Amount
Salaries expense	8,651
Utilities fee	2,630
Depreciation expense	2,526
Research expenses	18,678
Others (Note)	5,731
Total	38,216

Note: Each of remaining items did not exceed 5% of the amount.