

Mechema Chemicals International Corp.

**Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mechema Chemicals International Corp.

Opinion

We have audited the accompanying financial statements of Mechema Chemicals International Corp. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2023 are stated as follows:

Recognition of Revenue

The main source of revenue of the Company comes from the sales of battery cathode material. Most of the sales were highly concentrated on major customers, which accounted for 38% of total sales revenue. Therefore, the management may be under pressure to meet the profit target. Since there is a significant risk, we considered the recognition of sales revenue as key audit matter.

The main audit procedures performed by the accountant for the above matters are as follows:

1. We assessed the validity of clients' orders from their clients.
2. We tested the design and the operating effectiveness of internal control processes of sales revenue. We reviewed clients' orders, which were authorized by appropriate supervisors, and we checked the shipping documents signed by clients and confirmed that the sales actually occurred.
3. Perform the confirmation letter procedure to confirm the occurrence of sales.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the members of the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yung-Ming Chiu and Chin-Chuan Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 29,747	2	\$ 101,801	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	43,068	2
Notes and trade receivables (Notes 4, 8 and 17)	94,358	6	174,805	7
Trade receivables from related parties (Notes 4, 17 and 22)	89,294	5	490,834	20
Other receivables (Note 4)	14,008	1	46,650	2
Other receivables from related parties (Notes 4 and 22)	14,021	1	12,820	1
Inventories (Notes 4 and 9)	182,446	11	300,657	12
Prepayments (Note 13)	25,640	2	10,110	-
Other current assets	<u>19,307</u>	<u>1</u>	<u>19,053</u>	<u>1</u>
Total current assets	<u>468,821</u>	<u>29</u>	<u>1,199,798</u>	<u>49</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	830,596	52	981,523	40
Property, plant and equipment (Notes 4 and 11)	269,694	17	253,191	10
Right-of-use assets (Notes 4 and 12)	141	-	657	-
Deferred tax assets (Notes 4 and 18)	12,054	1	12,476	1
Prepaid equipment	19,170	1	9,844	-
Refundable deposits (Note 4)	2,918	-	3,203	-
Net defined benefit assets - non-current (Notes 4 and 15)	2,013	-	1,741	-
Other non-current assets	<u>6,260</u>	<u>-</u>	<u>7,294</u>	<u>-</u>
Total non-current assets	<u>1,142,846</u>	<u>71</u>	<u>1,269,929</u>	<u>51</u>
TOTAL	<u>\$ 1,611,667</u>	<u>100</u>	<u>\$ 2,469,727</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 329,701	21	\$ 789,473	32
Notes and trade payables	30,925	2	32,496	1
Other payables (Note 22)	20,889	1	33,045	2
Current tax liabilities (Notes 4 and 18)	30,508	2	102,119	4
Lease liabilities - current (Notes 4 and 12)	145	-	695	-
Current portion of long-term borrowings (Note 14)	70,000	4	-	-
Other current liabilities	<u>2,444</u>	<u>-</u>	<u>5,268</u>	<u>-</u>
Total current liabilities	<u>484,612</u>	<u>30</u>	<u>963,096</u>	<u>39</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	<u>5,317</u>	<u>-</u>	<u>5,421</u>	<u>-</u>
Total liabilities	<u>489,929</u>	<u>30</u>	<u>968,517</u>	<u>39</u>
EQUITY				
Ordinary shares (Note 16)	<u>749,863</u>	<u>47</u>	<u>749,863</u>	<u>30</u>
Capital surplus (Note 16)	<u>24,825</u>	<u>2</u>	<u>24,825</u>	<u>1</u>
Retained earnings (Note 16)				
Legal reserve	359,278	22	321,008	13
Special reserve	98,508	6	120,578	5
(Accumulated deficit) unappropriated earnings	<u>(2,135)</u>	<u>-</u>	<u>383,444</u>	<u>16</u>
Total retained earnings	<u>455,651</u>	<u>28</u>	<u>825,030</u>	<u>34</u>
Other equity (Notes 4 and 16)				
Exchange differences on translating foreign operations	<u>(108,601)</u>	<u>(7)</u>	<u>(98,508)</u>	<u>(4)</u>
Total equity	<u>1,121,738</u>	<u>70</u>	<u>1,501,210</u>	<u>61</u>
TOTAL	<u>\$ 1,611,667</u>	<u>100</u>	<u>\$ 2,469,727</u>	<u>100</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 17 and 22)	\$ 1,833,738	100	\$ 5,110,732	100
COST OF GOODS SOLD (Notes 9, 17 and 22)	<u>1,611,554</u>	<u>88</u>	<u>4,691,229</u>	<u>91</u>
GROSS PROFIT	222,184	12	419,503	9
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>3,646</u>	<u>-</u>	<u>7,185</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>225,830</u>	<u>12</u>	<u>426,688</u>	<u>9</u>
OPERATING EXPENSES (Notes 17 and 22)				
Selling and marketing expenses	22,132	1	36,688	1
General and administrative expenses	32,490	2	40,277	1
Research and development expenses	<u>15,300</u>	<u>1</u>	<u>14,450</u>	<u>-</u>
Total operating expenses	<u>69,922</u>	<u>4</u>	<u>91,415</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>155,908</u>	<u>8</u>	<u>335,273</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of associates and joint ventures (Notes 4 and 10)	(144,480)	(8)	(3,375)	-
Interest income (Note 22)	1,194	-	2,895	-
Rental income (Note 22)	10,806	1	10,806	-
Other income (Note 22)	32,957	2	27,994	1
Net foreign exchange gain (Notes 4 and 25)	5,063	-	110,185	2
Net (loss) gain on valuation of financial assets at FVTPL (Notes 4 and 7)	(43,068)	(2)	7,683	-
Finance costs	<u>(12,684)</u>	<u>(1)</u>	<u>(13,400)</u>	<u>-</u>
Total non-operating income and expenses	<u>(150,212)</u>	<u>(8)</u>	<u>142,788</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	5,696	-	478,061	10
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(30,239)</u>	<u>(1)</u>	<u>(96,736)</u>	<u>(2)</u>
NET (LOSS) PROFIT FOR THE YEAR	<u>(24,543)</u>	<u>(1)</u>	<u>381,325</u>	<u>8</u>

(Continued)

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	\$ 101	-	\$ 1,377	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 4)	<u>(10,093)</u>	<u>(1)</u>	<u>22,070</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(9,992)</u>	<u>(1)</u>	<u>23,447</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (34,535)</u>	<u>(2)</u>	<u>\$ 404,772</u>	<u>8</u>
(LOSS) EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ (0.33)</u>		<u>\$ 5.09</u>	
Diluted	<u>\$ (0.33)</u>		<u>\$ 5.08</u>	

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

(Concluded)

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

			Retained Earnings		Unappropriated Earnings (Accumulated deficits)	Others Exchange Differences on Translating Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2022	\$ 749,863	\$ 24,825	\$ 284,987	\$ 81,462	\$ 360,827	\$ (120,578)	\$ 1,381,386
Appropriation of 2021 earnings							
Legal reserve	-	-	36,021	-	(36,021)	-	-
Special reserve	-	-	-	39,116	(39,116)	-	-
Cash dividends distributed by the Company	-	-	-	-	(284,948)	-	(284,948)
Net profit for the year ended December 31, 2022	-	-	-	-	381,325	-	381,325
Other comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377</u>	<u>22,070</u>	<u>23,447</u>
Total comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,702</u>	<u>22,070</u>	<u>404,772</u>
BALANCE AT DECEMBER 31, 2022	749,863	24,825	321,008	120,578	383,444	(98,508)	1,501,210
Appropriation of 2022 earnings							
Legal reserve	-	-	38,270	-	(38,270)	-	-
Special reserve	-	-	-	(22,070)	22,070	-	-
Cash dividends distributed by the Company	-	-	-	-	(344,937)	-	(344,937)
Net loss for the year ended December 31, 2023	-	-	-	-	(24,543)	-	(24,543)
Other comprehensive loss for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101</u>	<u>(10,093)</u>	<u>(9,992)</u>
Total comprehensive loss for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,442)</u>	<u>(10,093)</u>	<u>(34,535)</u>
BALANCE AT DECEMBER 31, 2023	<u>\$ 749,863</u>	<u>\$ 24,825</u>	<u>\$ 359,278</u>	<u>\$ 98,508</u>	<u>\$ (2,135)</u>	<u>\$ (108,601)</u>	<u>\$ 1,121,738</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,696	\$ 478,061
Adjustments for:		
Depreciation expense	15,386	13,405
Amortization expense	4,099	2,786
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	43,068	(7,683)
Finance costs	12,684	13,400
Interest income	(1,194)	(2,895)
Share of profit or loss of associates and joint ventures	144,480	3,375
Realized gain on transactions with associates and joint ventures	(3,646)	(7,185)
Gain on termination of leases	(1)	-
Changes in operating assets and liabilities:		
Notes and trade receivables	80,447	(66,998)
Trade receivables from related parties	401,540	(72,892)
Other receivables	32,642	(41,442)
Other receivables from related parties	3,500	(292)
Inventories	118,211	1,642
Prepayments	(15,530)	172,008
Other current assets	(254)	(4,570)
Defined benefit assets	(171)	(147)
Notes and trade payables	(1,571)	(17,970)
Other payables	(12,156)	8,103
Other current liabilities	(499)	1,043
Cash generated from operations	826,731	471,749
Interest received	1,097	2,892
Interest paid	(13,214)	(12,911)
Income taxes paid	(101,532)	(53,247)
Net cash generated from operating activities	<u>713,082</u>	<u>408,483</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(8,027)	(8,254)
Decrease in refundable deposits	285	-
Increase in other receivables from related parties	(4,604)	(909)
Increase in long-term prepaid expenses	(3,065)	(3,928)
Increase in prepaid equipment	(34,284)	(12,758)
Net cash used in investing activities	<u>(49,695)</u>	<u>(25,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(459,772)	162,473
Repayments of short-term bills payable	-	(250,000)
Proceeds from long-term borrowings	70,000	-
		(Continued)

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Repayment of the principal portion of lease liabilities	\$ (732)	\$ (878)
Dividends paid to owners of the Company	<u>(344,937)</u>	<u>(284,948)</u>
Net cash used in financing activities	<u>(735,441)</u>	<u>(373,353)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(72,054)	9,281
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>101,801</u>	<u>92,520</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 29,747</u>	<u>\$ 101,801</u>

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

(Concluded)

MECHEMA CHEMICALS INTERNATIONAL CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. GENERAL INFORMATION

Mechema Chemicals International Corp. (the “Company”) was incorporated in the Republic of China (ROC) on June 30, 1992. The Company is mainly engaged in the following activities:

- a. Manufacturing, sales, import and export of cobalt and its compounds and manganese and its compounds;
- b. Sales, import and export of cobalt and manganese.

Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2023 is NT\$749,863 thousand.

The Company’s shares have been listed on the Taipei Exchange (TPEX) since March 9, 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on March 13, 2024.

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

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

The above-mentioned initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

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

Basis of Preparation

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

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in these financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between this parent-company-only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

Foreign Currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies that are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Inventories

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

Investments in Subsidiaries

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

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

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

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

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

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

Investments in Joint Ventures

A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in joint ventures. Under the equity method, investments in a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture. The Company also recognizes the changes in the Company's share of the equity of joint ventures.

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of 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.

The Company discontinues the use of the equity method from the date on which its investment ceases to be a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognized in the Company's financial statements only to the extent of interests in the joint venture that are not related to the Company.

Property, Plant and Equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 21.

b) Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

2) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

Revenue Recognition

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

Sale of goods

Revenue from the sale of goods comes from sales of electronic components and various chemical catalysts. Electronic components and various chemical catalysts are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods and has the primary responsibility for sales to future customers and bear the risks of obsolescence. Trade receivable is recognized concurrently.

Leasing

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

a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b. The Company as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

b. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are 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 consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 168	\$ 169
Checking accounts and demand deposits	<u>29,579</u>	<u>101,632</u>
	<u>\$ 29,747</u>	<u>\$ 101,801</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ -</u>	<u>\$ 43,068</u>

The Company have successively received the notification from the fund invested by it, Spectra SPC Powerfund (Powerfund Fund) in March and April 2023. The fund will suspend the calculation of net asset value and defer fund redemptions starting from March 1, 2023, and will announce on April 21, 2023, that the fund will undergo formal voluntary liquidation procedures. The impact of the above event has caused the significant uncertainty in the market quotations and responsiveness of transactions in the market of the financial assets at fair value through profit or loss in the Company's investment accounts. Upon re-evaluation on the reliability of the information about the funds, restrictive conditions, responsiveness in the current market and significant uncertain in the transactions, the Company included the effect into the evaluation on the fair value of financial assets at fair value through profit or loss and fully recognized the valuation loss on financial assets at fair value through profit or loss of \$43,068 thousand, stated as loss on valuation of financial assets at FVTPL in 2023.

8. NOTES AND TRADE RECEIVABLES

	December 31	
	2023	2022
Notes receivable	\$ 4	\$ -
Trade receivables	<u>95,375</u>	<u>176,749</u>
	95,379	176,749
Less: Allowance for impairment loss	<u>(1,021)</u>	<u>(1,944)</u>
	<u>\$ 94,358</u>	<u>\$ 174,805</u>

Notes and Trade Receivables at Amortized Cost

The average credit period for sales of goods is 30 to 90 days. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position and adjusted for general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off the notes and accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the notes and accounts receivable are over 180 days past due, whichever occurs earlier.

The following table details the loss allowance of notes and trade receivables based on the Company's provision matrix.

December 31, 2023

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 68,616	\$ 26,763	\$ -	\$ -	\$ -	\$ 95,379
Loss allowance (Lifetime ECL)	<u>(1,021)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,021)</u>
Amortized cost	<u>\$ 67,595</u>	<u>\$ 26,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,358</u>

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 141,246	\$ 22,460	\$ 1,989	\$ 11,054	\$ -	\$ 176,749
Loss allowance (Lifetime ECL)	<u>(1,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,944)</u>
Amortized cost	<u>\$ 139,302</u>	<u>\$ 22,460</u>	<u>\$ 1,989</u>	<u>\$ 11,054</u>	<u>\$ -</u>	<u>\$ 174,805</u>

The movements of the loss allowance of notes and trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at the beginning of the period	\$ 1,944	\$ 1,233
Add: Impairment losses recognized	-	711
Less: Impairment losses reversed	<u>(923)</u>	<u>-</u>
Balance at the end of the period	<u>\$ 1,021</u>	<u>\$ 1,944</u>

9. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 89,505	\$ 37,320
Work in process	54,214	73,276
Raw materials	<u>38,727</u>	<u>190,061</u>
	<u>\$ 182,446</u>	<u>\$ 300,657</u>

The cost of inventories recognized as the cost of goods sold for the years ended December 31, 2023 and 2022 included \$1,611,554 thousand and \$4,691,229 thousand, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included reversals of inventory write-downs of \$39,208 thousand and inventory write-downs of \$45,699 thousand, respectively. The reversal of inventory write-downs was due to increased selling prices in certain markets.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	\$ 816,368	\$ 869,449
Investments in joint ventures	<u>14,228</u>	<u>112,074</u>
	<u>\$ 830,596</u>	<u>\$ 981,523</u>

Investments in Subsidiaries

	December 31, 2023		December 31, 2022	
	Original Cost	Carrying Amount	Original Cost	Carrying Amount
Mechema Chemicals (Thailand) Co., Ltd.	\$ 64,675	\$ 118,970	\$ 64,675	\$ 117,769
PT Mechema Indonesia	121,870	99,579	121,870	130,621
Mechema Korea Co., Ltd.	125,529	130,550	125,529	144,869
Mechema Chemical (Malaysia) Co., Ltd.	49,042	(2,642)	49,042	(1,295)
Catalyst Development Co., Ltd.	<u>270,419</u>	<u>469,911</u>	<u>270,419</u>	<u>477,485</u>
	<u>\$ 631,535</u>	<u>\$ 816,368</u>	<u>\$ 631,535</u>	<u>\$ 869,449</u>

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments were calculated based on the financial statements that have been audited.

The proportion of the Company's ownership was as follows:

	December 31	
	2023	2022
Mechema Chemicals (Thailand) Co., Ltd.	100%	100%
PT Mechema Indonesia	100%	100%
Mechema Korea Co., Ltd.	100%	100%
Mechema Chemical (Malaysia) Co., Ltd.	100%	100%
Catalyst Development Co., Ltd.	100%	100%

For details on subsidiaries indirectly owned by the Company, refer to Table 5 of Note 26.

Investments in Joint Ventures

Unlisted Companies	December 31, 2023		December 31, 2022	
	Original Cost	Carrying Amount	Original Cost	Carrying Amount
Mechema Toda Corporation	<u>\$ 150,100</u>	<u>\$ 14,228</u>	<u>\$ 150,100</u>	<u>\$ 112,074</u>

The proportion of the Company's ownership was as follows:

	December 31	
	2023	2022
Mechema Toda Corporation	50%	50%

In addition, the Company also hold preferred shares do not assign voting rights to their holders, thus shall receive preference share dividends, which were based on sales quantity.

Refer to Table 5 of Note 26 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the joint ventures.

Summarized financial information in respect of each of the Company's material joint ventures is set out below.

	December 31	
	2023	2022
Cash and cash equivalents	<u>\$ 7,141</u>	<u>\$ 7,729</u>
Current financial liabilities (exclude trade payables, other payables and provisions)	<u>\$ 201,620</u>	<u>\$ 256,635</u>
Current assets	<u>\$ 255,755</u>	<u>\$ 686,383</u>
Non-current assets	<u>\$ 75,935</u>	<u>\$ 81,715</u>
Current liabilities	<u>\$ 276,673</u>	<u>\$ 529,670</u>
Non-current liabilities	<u>\$ 20,000</u>	<u>\$ -</u>

	For the Year Ended December 31	
	2023	2022
Operating revenue	\$ 881,527	\$ 2,574,615
Depreciation expenses and amortization expenses	\$ 24,997	\$ 37,411
Net exchange gain	\$ 1,601	\$ 18,778
Income tax expenses/(benefits)	\$ 423	\$ (1,185)
Net loss for the year	\$ (203,412)	\$ (17,344)
Dividends received	\$ -	\$ -
Net loss attributable to preferred stock	\$ -	\$ -
Net loss attributable to common stock	<u>(203,412)</u>	<u>(17,344)</u>
	<u>\$ (203,412)</u>	<u>\$ (17,344)</u>

For the years ended December 31, 2023 and 2022, the detail of share of profit or loss of joint ventures were as follows:

	For the Year Ended December 31	
	2023	2022
Attributable to preferred stock	\$ -	\$ -
Attributable to common stock	<u>(101,706)</u>	<u>(8,672)</u>
	<u>\$ (101,706)</u>	<u>\$ (8,672)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 145,280	\$ 131,348	\$ 46,016	\$ 6,029	\$ 3,526	\$ 6,790	\$ 338,989
Additions	-	388	2,636	260	1,409	1,539	6,232
Transfer from prepayments for equipment	-	267	18,989	-	445	5,257	24,958
Balance at December 31, 2023	<u>\$ 145,280</u>	<u>\$ 132,003</u>	<u>\$ 67,641</u>	<u>\$ 6,289</u>	<u>\$ 5,380</u>	<u>\$ 13,586</u>	<u>\$ 370,179</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 61,143	\$ 16,187	\$ 4,901	\$ 561	\$ 3,006	\$ 85,798
Depreciation	-	4,735	7,253	451	940	1,308	14,687
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 65,878</u>	<u>\$ 23,440</u>	<u>\$ 5,352</u>	<u>\$ 1,501</u>	<u>\$ 4,314</u>	<u>\$ 100,485</u>
Carrying amount at December 31, 2023	<u>\$ 145,280</u>	<u>\$ 66,125</u>	<u>\$ 44,201</u>	<u>\$ 937</u>	<u>\$ 3,879</u>	<u>\$ 9,272</u>	<u>\$ 269,694</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 145,280	\$ 128,014	\$ 34,161	\$ 5,483	\$ 618	\$ 5,932	\$ 319,488
Additions	-	981	4,449	394	1,737	858	8,419
Transfer from prepayments for equipment	-	2,353	7,406	152	1,171	-	11,082
Balance at December 31, 2022	<u>\$ 145,280</u>	<u>\$ 131,348</u>	<u>\$ 46,016</u>	<u>\$ 6,029</u>	<u>\$ 3,526</u>	<u>\$ 6,790</u>	<u>\$ 338,989</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 56,168	\$ 10,731	\$ 4,171	\$ 98	\$ 2,128	\$ 73,296
Depreciation	-	4,975	5,456	730	463	878	12,502
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 61,143</u>	<u>\$ 16,187</u>	<u>\$ 4,901</u>	<u>\$ 561</u>	<u>\$ 3,006</u>	<u>\$ 85,798</u>
Carrying amount at December 31, 2022	<u>\$ 145,280</u>	<u>\$ 70,205</u>	<u>\$ 29,829</u>	<u>\$ 1,128</u>	<u>\$ 2,965</u>	<u>\$ 3,784</u>	<u>\$ 253,191</u>

No impairment assessment was performed for the years ended December 31, 2023 and 2022 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Buildings	
Main buildings	36-56 years
Fire protection engineering	3-8 years
Hydropower engineering	6-10 years
Steel structure engineering	11-16 years
Other buildings	2-16 years
Equipment	3-14 years
Transportation equipment	3-6 years
Office equipment	3-10 years
Other equipment	3-11 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Transportation equipment	\$ <u>141</u>	\$ <u>657</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	\$ <u>340</u>	\$ <u>351</u>
Depreciation charge for right-of-use assets		
Transportation equipment	\$ <u>699</u>	\$ <u>903</u>

The Company terminated the lease of partial transportation equipment in advance in 2023. The above right-of-use assets were deducted by \$157 thousand and recognized gain on termination of leases of \$1 thousand.

Other than the above event, additions and depreciation expense recognized, there were no significant subleases or impairments of the Company's right-of-use assets in 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	\$ <u>145</u>	\$ <u>695</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Transportation equipment	1.6%-1.7%	1%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Total cash outflow for leases	<u>\$ 781</u>	<u>\$ 1,000</u>

13. PREPAYMENTS

Prepayments are the prepayment to the vendors of inventory.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Line of credit borrowings	<u>\$ 329,701</u>	<u>\$ 789,473</u>

The above amounts represented revolving facility (for operating capital demand) of bank loan. The range of weighted average effective interest rates on bank loans was 1.65%-6.51% and 1.40%-5.67% per annum at December 31, 2023 and 2022.

b. Long-term borrowings

	December 31	
	2023	2022
Bank loans	\$ 70,000	\$ -
Less: Current portion	<u>(70,000)</u>	<u>-</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2023, the Company obtained a newly appropriated bank loan of \$70,000 thousand, with an interest rate of 0.5% above the 2-year floating rate for post office savings, which is repayable in 5 years. However, the loan is classified as a current portion of long-term loan because the Company expects to repay the loan within 1 year. According to the loan agreement, the bank loan was guaranteed by the Taiwan SMEG at 80%, with a grace period of 2 years and a 1 year interest rate waiver of 1.595%, after which the principal was to be repaid in equal monthly installments.

c. The above items of borrowings of the Company have been jointly guaranteed by chairman of the board of the Company.

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Numbers of shares authorized (in thousands)	<u>86,000</u>	<u>86,000</u>
Shares authorized	<u>\$ 860,000</u>	<u>\$ 860,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,986</u>	<u>74,986</u>
Shares issued	<u>\$ 749,863</u>	<u>\$ 749,863</u>

Ordinary shares are issued with a nominal amount of NT\$10 per share. All of the shares were ordinary shares, each carrying the right to vote and receive dividends.

b. Capital surplus

From the conversion of bonds, such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 17(d).

If the dividends referred to in the preceding paragraph are distributed in cash, the board of directors shall be authorized with the presence of at least two-thirds of the directors and the approval of a majority of the directors present, and to report the matter to the shareholders' meeting.

In accordance with Article 241 of the Company Act, the Company shall distribute all or part of the legal reserve and capital surplus in new shares or cash in proportion to the shareholders' original shares, and shall authorize the board of directors to resolve the matter with the presence of at least two-thirds of the directors and the approval of a majority of the directors present, and to report the matter to the shareholders' meeting.

In addition to referring general distribution level of dividends, the Company's dividend policy is based on the consideration of the future capital needs and long-term financial planning. Shareholders' dividends and bonuses shall be appropriated for an amount more than 50% of the distributable earnings in the current year; also, the distribution of dividends shall include at least 10% in cash and 90% in stock. The type of distribution may change according to circumstances of profitability and capital, and may be adjusted during the annual shareholders' meeting.

The appropriation of earnings to a legal reserve shall be made until the accumulated legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meetings on June 27, 2023 and June 22, 2022, respectively, and were as follows:

	Appropriation of Earnings	
	2022	2021
Legal reserve	\$ 38,270	\$ 36,021
Special reserve	\$ (22,070)	\$ 39,116
Cash dividends	\$ 344,937	\$ 284,948
Cash dividends per share (NT\$)	\$ 4.60	\$ 3.80

The statements of deficit compensation for 2023, which was proposed by the Company's board of directors on March 13, 2024, was as follows:

	2023
Legal reserve used to offset accumulated deficits	\$ 2,135

In addition, the Company's Board of Directors proposed a cash distribution of \$82,485 thousand from legal reserve on March 13, 2024.

The appropriation of earnings for 2023 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 20, 2024.

d. Special reserve

On the first-time adoption of IFRS Accounting Standards, the Company appropriated for special reserve, the amounts that were the same as the cumulative translation differences transferred to retain earnings, which were \$29,383 thousand.

Additional special reserves should be appropriated for the amount equal to the difference between net debit balance reserves. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

As of December 31, 2022 and 2021, exchange differences on translating foreign operations were negative and are less than and greater than the amount on account, respectively. In response to the aforementioned regulations, the Company recognized special reserves of \$22,070 thousand and \$39,116 thousand, respectively, which were made in the appropriations of earnings for 2022 and 2021.

e. Other equity

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. When all or a part of the foreign operations are disposed of, exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

17. NET PROFIT

a. Net revenue

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,833,738</u>	<u>\$ 5,110,732</u>

1) Contract information

Revenue from the sale of goods

The Company sells battery cathode materials and oxidation catalysts, which are manufactured by clients' orders and recognizes revenue at which time the goods are delivered to the customer's specific location. The Company does not provide any after-sales services, such as warranty, right to return, etc. The quotation of products is based on the current market price of the raw materials and the expected profit. The term of sales of products is fixed price, not volatile. Since payment terms granted to customers are usually less than 240 days, there is no significant financing component from contracts with customers.

2) Contact balances

	December 31	
	2023	2022
Notes and trades receivable, net (Note 8)	<u>\$ 94,358</u>	<u>\$ 174,805</u>
Trades receivable from related parties (Note 22)	<u>\$ 89,294</u>	<u>\$ 490,834</u>

3) Disaggregation of revenue from customer contracts

2023

	Battery Material Department	Oxidation Catalyst	Total
Sale of goods	<u>\$ 695,099</u>	<u>\$ 1,138,639</u>	<u>\$ 1,833,738</u>

2022

	Battery Material Department	Oxidation Catalyst	Total
Sale of goods	<u>\$ 2,488,963</u>	<u>\$ 2,621,769</u>	<u>\$ 5,110,732</u>
b. Depreciation and amortization			
	For the Year Ended December 31		
	2023	2022	
Property, plant and equipment	\$ 14,687	\$ 12,502	
Right-of-use assets	699	903	
Long-term prepaid expenses	<u>4,099</u>	<u>2,786</u>	
	<u>\$ 19,485</u>	<u>\$ 16,191</u>	
An analysis of deprecation by function			
Operating costs	\$ 11,833	\$ 9,881	
Operating expenses	<u>3,553</u>	<u>3,524</u>	
	<u>\$ 15,386</u>	<u>\$ 13,405</u>	
An analysis of amortization by function			
Operating costs	\$ 3,194	\$ 2,371	
Operating expenses	<u>905</u>	<u>415</u>	
	<u>\$ 4,099</u>	<u>\$ 2,786</u>	
c. Employee benefits expense			
	For the Year Ended December 31		
	2023	2022	
Short-term benefits			
Salaries and wages	\$ 44,744	\$ 61,622	
Insurance premiums for employee	<u>4,709</u>	<u>4,363</u>	
	<u>49,453</u>	<u>65,985</u>	
Post-employment benefits (Note 15)			
Defined contribution plans	1,977	1,730	
Defined benefit plans	<u>(25)</u>	<u>-</u>	
	<u>1,952</u>	<u>1,730</u>	
Other employee benefits	<u>2,553</u>	<u>4,165</u>	
Total employee benefits expense	<u>\$ 53,958</u>	<u>\$ 71,880</u>	
An analysis of employee benefits expense by function			
Operating costs	\$ 22,342	\$ 28,145	
Operating expenses	<u>31,616</u>	<u>43,735</u>	
	<u>\$ 53,958</u>	<u>\$ 71,880</u>	

d. Compensation of employees and remuneration of directors

The Company distributed employees' compensation and directors' remuneration at the rates of not less than 1% and not higher than 5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Company's board of directors on March 13, 2024 and March 22, 2023, respectively, were as follows:

	2023		2022	
	Employees' Compensation in Cash	Remuneration of Directors in Cash	Employees' Compensation in Cash	Remuneration of Directors in Cash
Amounts approved in the board of directors' meeting	\$ 1,250	\$ 365	\$ 5,896	\$ 2,200
Amounts recognized in the annual financial statements	\$ 1,250	\$ 365	\$ 5,896	\$ 2,000

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

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

18. INCOME TAX

a. Income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current period	\$ 29,453	\$ 102,364
Income tax on unappropriated earnings	1,078	6
Adjustments for prior year	(610)	(283)
	<u>29,921</u>	<u>102,087</u>
Deferred tax		
In respect of the current period	<u>318</u>	<u>(5,351)</u>
Income tax expense recognized in profit or loss	<u>\$ 30,239</u>	<u>\$ 96,736</u>

A reconciliation of accounting profit and current income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax	\$ <u>5,696</u>	\$ <u>478,061</u>
Income tax expense at the statutory rate (20%)	\$ 1,139	\$ 95,612
Nondeductible expenses and tax-exempt income in determining taxable income	20,076	2,460
Unrecognized deductible temporary differences	8,556	(1,059)
Income tax on unappropriated earnings	1,078	6
Adjustment for prior year's tax	<u>(610)</u>	<u>(283)</u>
Income tax expense recognized in profit or loss	\$ <u>30,239</u>	\$ <u>96,736</u>

b. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax liabilities		
Income tax payable	\$ <u>30,508</u>	\$ <u>102,119</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation expense	\$ 349	\$ (335)	\$ 14
Unrealized gross profit	2,451	(729)	1,722
Impairment losses on financial instruments	-	8,474	8,474
Allowance for written down inventories	9,472	(7,841)	1,631
Unrealized gain	<u>204</u>	<u>9</u>	<u>213</u>
	\$ <u>12,476</u>	\$ <u>(422)</u>	\$ <u>12,054</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial assets at FVTPL	\$ 5,216	\$ (139)	\$ 5,077
Defined benefit obligations	<u>205</u>	<u>35</u>	<u>240</u>
	\$ <u>5,421</u>	\$ <u>(104)</u>	\$ <u>5,317</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation expense	\$ 836	\$ (487)	\$ 349
Unrealized gross profit	3,888	(1,437)	2,451
Allowance for written down inventories	332	9,140	9,472
Unrealized gain	<u>504</u>	<u>(300)</u>	<u>204</u>
	<u>\$ 5,560</u>	<u>\$ 6,916</u>	<u>\$ 12,476</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial assets at FVTPL	\$ 3,680	\$ 1,536	\$ 5,216
Defined benefit obligations	<u>176</u>	<u>29</u>	<u>205</u>
	<u>\$ 3,856</u>	<u>\$ 1,565</u>	<u>\$ 5,421</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$268,430 thousand and \$311,205 thousand, respectively.

- e. Income tax assessments

The Company's income tax returns through 2021 have been assessed by the tax authorities.

19. (LOSSES) EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic (loss) earnings per share	\$ (0.33)	\$ 5.09
Diluted (loss) earnings per share	\$ (0.33)	\$ 5.08

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

Net (Loss) Profit for the Year

	For the Year Ended December 31	
	2023	2022
Net (loss) profit used to calculate basic (loss) earnings per share	\$ (24,543)	\$ 381,325
Net (loss) profit used to calculate diluted (loss) earnings per share	\$ (24,543)	\$ 381,325

The weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2023	2022
Weighted average number of shares of common stock used to calculate basic (loss) earnings per share	74,986	74,986
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>-</u>	<u>66</u>
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	<u>74,986</u>	<u>75,052</u>

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. Due to the deficits in 2023, the employee share option are anti-dilutive and excluded from the computation of diluted loss per share.

20. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company regularly reviews to the appropriate categories of capital structure. The Company managers determine a reasonable proportion of the Company's capital structure based on the cost of capital and the risks associated with the various types of capital. The Company is not subject to any externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial instruments not measured at fair value (Cash and cash equivalents, financial assets at amortized cost, notes and trades receivable, trades receivable from related parties, other receivables, other receivables from related parties and refundable deposits) and financial liabilities (short-term borrowings, notes and trade payables, other payables and current portion of long-term borrowings) recognized in the financial statements approximate their fair values.

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 43,068	\$ -	\$ -	\$ 43,068

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ -	\$ 43,068
Financial assets at amortized cost (Note 1)	244,346	830,113
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	451,515	855,014

Note 1: The balance includes financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (included related parties), other receivables (included related parties) and guarantee deposits.

Note 2: The balance includes financial liabilities at amortized cost, which comprise bank borrowings, notes and trade payables and other payables and current portion of long-term borrowings.

d. Financial risk management objectives and policies

Based on the internal report containing analysis of the exposure of and the amount involved in risks by financial units, the Company monitors and manages financial risks relating to the enterprise as a whole, the domestic and international financial market and the operations of the Company. These risks include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Financial units of the Company constantly report to the management. Management will then monitor the risks and execute policies according to its duties and responsibilities so as to mitigate exposure.

1) Market risk

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

a) Foreign currency risk

The Company has foreign currency-denominated transactions that are exposed to the risk caused by the fluctuation of exchange rates in the market. To monitor the risk, the responsible team of the Company reviews constantly the portion of assets and liabilities that are exposed to the risk and makes the appropriate adjustments so as to control any risk arising from the fluctuation of exchange rates.

Since the principal currency of the Company is the US dollar, thus the Company is exposed to the risk of exchange rate fluctuation. Fortunately, the risk is mitigated as the majority of receivables and payables and bank borrowings are denominated in US dollars.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 25.

Sensitivity analysis

The Company is mainly exposed to the U.S. dollar ("USD").

The following table details the Company's sensitivity to a 10% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. A 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and it adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 10% against the relevant currency. For a 10% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss*	\$ (3,357)	\$ 1,420

* This was mainly attributable to the exposure outstanding on USD cash and cash equivalents, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company is subject to interest rate risk arising from bank deposits and borrowings bearing floating interest rates. The current policy of the Company is to maintain borrowings bearing a floating interest rate so as to mitigate risk arising from interest rate fluctuation. There is no financial instrument held for hedging purposes. Management of the Company reviews interest rate risk periodically and will implement measures when necessary to address significant interest rate risk for proper monitoring considering any change in market interest rate.

Sensitivity analysis

The following sensitivity analysis is prepared based on the exposure to the interest rate of the non-derivative instruments at the end of the reporting period.

A 0.5% increase or decrease has been used by the Company as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remaining unchanged, without taking into account capitalization of interests, if the interest rate increased by 0.5%, the profit and loss of the Company for the years ended 2023 and 2022 would have been decreased by \$1,851 thousand and \$3,439 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. In order to minimize credit risk, the management of the Company has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts.

The Company transacted with a large number of customers who are mainly internationally renowned brands of chemical business and are not connected. Credit assessments on the financial status of the clients have been conducted. Therefore, it is expected that the credit risk from accounts receivables is minimal.

The maximum exposure of the Company to credit risk is the net amount of carrying amount less the amount required to be offset and impairment loss required to be recognized under relevant rules (i.e., carrying amount of financial assets), without taking into account any security and other credit enhancement.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigates the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized overdraft and short-term bank loan facilities as set out in (b) below.

a) Liquidity and interest rate risk table

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment-on-demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2023

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Non-interest bearing liabilities</u>				
Notes payable and trade payables		\$ 30,925	\$ -	\$ 30,925
Other payables		20,889	-	20,889
Lease liabilities		145	-	145
(Continued)				

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Interest bearing liabilities</u>				
Short-term borrowings	2.49	\$ 329,701	\$ -	\$ 329,701
Long-term borrowings	2.095	<u>70,000</u>	<u>-</u>	<u>70,000</u>
		<u>\$ 451,660</u>	<u>\$ -</u>	<u>\$ 451,660</u>
				(Concluded)

December 31, 2022

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Non-interest bearing liabilities</u>				
Notes payable and trade payables	-	\$ 32,496	\$ -	\$ 32,496
Other payables	-	33,045	-	33,045
Lease liabilities	-	695	-	695
<u>Interest bearing liabilities</u>				
Short-term borrowings	2.54	<u>789,473</u>	<u>-</u>	<u>789,473</u>
		<u>\$ 855,709</u>	<u>\$ -</u>	<u>\$ 855,709</u>

b) Financing facilities

	December 31	
	2023	2022
Unsecured bank loan facilities:		
Amount unutilized	<u>\$ 2,237,433</u>	<u>\$ 1,545,192</u>

22. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Mechema Chemicals (Thailand) Co., Ltd.	Subsidiary
PT Mechema Indonesia	Subsidiary
Mechema Korea Co., Ltd.	Subsidiary
Mechema Chemical (Malaysia) Co., Ltd.	Subsidiary
Mechema Chemical (Xiamen) Co., Ltd.	Subsidiary
Mechema Chemical (Shang Yu) Co., Ltd.	Subsidiary
Mechema Toda Corporation	Joint venture (Please refer to Note 10)

b. Sales of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Sales	Mechema Toda Corporation	\$ 695,099	\$ 2,488,963
	Mechema Chemicals (Thailand) Co., Ltd.	248,455	579,154
	Mechema Korea Co., Ltd.	231,578	483,803
	Subsidiary	<u>2,136</u>	<u>9,024</u>
		<u>\$ 1,177,268</u>	<u>\$ 3,560,944</u>

There are no comparable unrelated parties due to payment terms offered to related parties being similar to those offered to third parties.

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Mechema Korea Co., Ltd.	\$ 74,524	\$ 201,873
Subsidiary	<u>6,064</u>	<u>-</u>
	<u>\$ 80,588</u>	<u>\$ 201,873</u>

The purchase prices and payment terms offered by related parties were similar with those offered by third parties.

d. Trade receivables from related parties

Related Party Category/Name	December 31	
	2023	2022
Mechema Toda Corporation	\$ 67,818	\$ 258,380
Mechema Chemicals (Thailand) Co., Ltd.	10,222	195,646
Mechema Korea Co., Ltd.	8,184	31,850
Subsidiary	<u>3,070</u>	<u>4,958</u>
	<u>\$ 89,294</u>	<u>\$ 490,834</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized for trade receivables from related parties.

e. Other transactions with related parties

1) Rental income

Related Party Name	For the Year Ended December 31	
	2023	2022
Mechema Toda Corporation	<u>\$ 10,806</u>	<u>\$ 10,806</u>

2) Commission income

Related Party Name	For the Year Ended December 31	
	2023	2022
Mechema Toda Corporation	\$ 1,699	\$ 3,252
Mechema Chemicals (Thailand) Co., Ltd.	<u>10,186</u>	<u>-</u>
	<u>\$ 11,885</u>	<u>\$ 3,252</u>

3) Other income

Related Party Name	For the Year Ended December 31	
	2023	2022
Mechema Toda Corporation	<u>\$ 17,458</u>	<u>\$ 22,523</u>

Other income includes income from human resources outsourcing and product inspection.

4) Other receivables from related parties

a) Not classified as loans to related parties

Related Party Name	December 31	
	2023	2022
Mechema Toda Corporation	<u>\$ 67</u>	<u>\$ 3,567</u>

Other receivables from related parties were generated by the collection and payment service, commission income and other income.

b) Loans to related parties

Related Party Name	December 31	
	2023	2022
Mechema Chemical (Malaysia) Co., Ltd.	\$ <u>13,954</u>	\$ <u>9,253</u>

The unsecured short-term borrowing provided to Mechema Chemical (Malaysia) Co., Ltd. by The Company was \$13,817 thousand and \$9,213 thousand, respectively. The range of weighted average effective interest rates was 6.5% and 4% per annum on December 31, 2023 and 2022. The interest income was \$547 thousand and \$288 thousand, respectively. On December 31, 2023 and 2022, interest receivable was \$137 thousand and \$40 thousand, respectively.

5) Other payables to related parties

Related Party Name	December 31	
	2023	2022
Mechema Toda Corporation	\$ <u>-</u>	\$ <u>45</u>

f. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salaries and wages	\$ 14,924	\$ 14,882
Post-employment benefits	<u>617</u>	<u>534</u>
	\$ <u>15,541</u>	\$ <u>15,416</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company on December 31, 2023 and 2022 were as follows:

As of December 31, 2023, subsidiaries were guaranteed by the Company, which were \$122,821 thousand. Please refer to Table 2 of Note 26.

24. CASH FLOW INFORMATION

Investing and financing activities that affect both cash and non-cash items:

	For the Year Ended December 31	
	2023	2022
Increase in property, plant and equipment	\$ 6,232	\$ 8,419
Decrease (Increase) in payables for purchased equipment	<u>1,795</u>	<u>(165)</u>
Payment in cash for the acquisition of property, plant and equipment	\$ <u>8,027</u>	\$ <u>8,254</u>

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,241	30.71	<u>\$ 38,103</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,334	30.71	<u>\$ 71,669</u>

December 31, 2022

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,537	30.71	<u>\$ 231,468</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,075	30.71	<u>\$ 217,267</u>

Note: Exchange rates represent the closing exchange rate of foreign currency into New Taiwan dollars.

Information on foreign exchange gains and losses in 2023 and 2022 were as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Unrealized foreign exchange (loss) gain	\$ (1,061)	\$ 1,013
Realized foreign exchange gain	<u>6,124</u>	<u>109,172</u>
Net foreign exchange gain	<u>\$ 5,063</u>	<u>\$ 110,185</u>

It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the group entities.

26. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inflow and outflow of capital, percentage of ownership, investment gain or loss, ending balance, the amount received as dividends from the investee and limitation on investee. (Table 6)
- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 6)
 - a) The purchase amounts and percentage of total purchases and the payables' balances and percentage of the total payables at the end of the period.
 - b) The sales amount and percentage of total sales and the receivables' balances and percentage of the total receivables at the end of the period.
 - c) The amount of real estate property transactions and the amount of the related gains or losses.
 - d) The ending balance of negotiable instrument endorsements/guarantees or pledges of collateral and the related purposes.
 - e) The highest balance during the period, the ending balance, the interest rate range, and total interest for the period in respect of financial funding.
 - f) Other transactions that have a significant effect on the profit or loss or the financial position, such as the rendering or receipt of services.

c. Major Shareholder Information

Shareholder name, shareholding shares and proportion with share ratio is more than 5% (Table 7)

27. SEGMENT INFORMATION

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

TABLE 1

MECHEMA CHEMICALS INTERNATIONAL CORP.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
0	The Company	Mechema Chemical (Malaysia) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,425 thousand)	US\$1,000 thousand (equivalent to NT\$30,705 thousand)	\$ 13,817	6.50	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 112,174	\$ 336,521
		Mechema Chemical (Shang Yu) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,425 thousand)	US\$1,000 thousand (equivalent to NT\$30,705 thousand)	-	6.50	The need for short-term financing	-	Operating capital	-	-	-	112,174	336,521
		Mechema Chemical (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,425 thousand)	US\$1,000 thousand (equivalent to NT\$30,705 thousand)	-	6.50	The need for short-term financing	-	Operating capital	-	-	-	112,174	336,521

Note 1: The Company’s lending limits for individual counterparties shall not exceed 10% of the net worth of the net value of the most recent financial statements reviewed or audited by the CPA.

Note 2: The total financing limit amount for the Company shall not exceed 30% of the net worth of the net value of the most recent financial statements reviewed or audited by the CPA.

Note 3: According to the Company’s guidance of financing provided to others, the amount financing limit is based on the net value of the most recent financial statements reviewed or audited by the CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2023 were \$111,799 thousand and \$335,397 thousand, respectively, which were different from the amounts listed above, and the reason is that the financial statements of the Company for the year ended December 31, 2022 have not been audited by CPA at the announcement moment; thus, the Company announced the information based on the financial statement for the nine months ended September 30, 2023.

TABLE 2

MECHEMA CHEMICALS INTERNATIONAL CORP.

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 4)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	Mechema Chemicals (Thailand) Co., Ltd.	b.	\$ 224,348	US\$400 thousand (equivalent to NT\$12,970 thousand)	US\$400 thousand (equivalent to NT\$12,282 thousand)	-	-	1.09	\$ 336,521	Yes	No	No
		Mechema Korea Co., Ltd.	b.	224,348	US\$900 thousand (equivalent to NT\$29,183 thousand)	US\$900 thousand (equivalent to NT\$27,635 thousand)	-	-	2.46	336,521	Yes	No	No
		Mechema Chemical (Xiamen) Co., Ltd.	b.	224,348	US\$900 thousand (equivalent to NT\$29,183 thousand)	US\$900 thousand (equivalent to NT\$27,635 thousand)	1,817	-	2.46	336,521	Yes	No	Yes
		Mechema Chemical (Shang Yu) Co., Ltd.	b.	224,348	US\$1,800 thousand (equivalent to NT\$58,365 thousand)	US\$1,800 thousand (equivalent to NT\$55,269 thousand)	-	-	4.93	336,521	Yes	No	Yes

Note 1: The items are numbered as follows:

- a. Issuer is numbered as “0”.
- b. Investee companies are numbered from “1”.

Note 2: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

- a. The Company in relation to business.
- b. The Company which holds, directly or indirectly, over 50% of the voting shares.

Note 3: The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 30% of the net worth of the net value of the most recent financial statements reviewed or audited by the CPA.

Note 4: The maximum amount of financing provided to an individual shall not exceed 20% of the net worth of the net value of the most recent financial statements reviewed or audited by the CPA.

Note 5: According to the Company’s guidance of financing provided to others, the amount financing limit is based on the net value of the most recent financial statements reviewed or audited by the CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2023 were \$223,598 thousand and \$335,397 thousand, respectively, which were different from the amounts listed above, the reason is that the financial statements of the Company for the year ended December 31, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2023.

TABLE 3

MECHEMA CHEMICALS INTERNATIONAL CORP.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Mutual funds</u> Powerfund - Class A	-	FVTPL - current	350,333	\$ -	-	\$ -	

TABLE 4

MECHEMA CHEMICALS INTERNATIONAL CORP.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Mechema Toda Corporation Mechema Chemicals (Thailand) Co., Ltd.	Affiliates using the equity method Subsidiary	Sale	\$ (695,099)	(38)	90 days	\$ -	90 days	\$ 67,818	37	
			Sale	(248,455)	(14)	240 days	-	240 days	10,222	6	
Mechema Chemicals (Thailand) Co., Ltd.	The Company	Parent	Purchase	248,455	95	240 days	-	240 days	(10,222)	(80)	
The Company	Mechema Korea Co., Ltd.	Subsidiary	Sale	(231,578)	(13)	240 days	-	240 days	8,184	4	
Mechema Korea Co., Ltd.	The Company	Parent	Purchase	231,578	96	240 days	-	240 days	(8,184)	(97)	
Mechema Chemicals (Thailand) Co., Ltd.	Mechema Chemical (Shang Yu) Co., Ltd.	Fellow subsidiary	Sale	(111,235)	(35)	240 days	-	240 days	-	-	
Mechema Chemical (Shang Yu) Co., Ltd.	Mechema Chemicals (Thailand) Co., Ltd.	Fellow subsidiary	Purchase	111,235	27	240 days	-	240 days	-	-	

TABLE 5

MECHEMA CHEMICALS INTERNATIONAL CORP.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2023	December 31, 2022	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
The Company	Mechema Chemicals (Thailand) Co., Ltd.	Thailand	Manufacturing of oxidation catalysts	\$ 64,675	\$ 64,675	310,000	100.00	\$ 118,970	\$ 1,396	\$ 1,396	
	PT Mechema Indonesia	Indonesia	Manufacturing of oxidation catalysts	121,870	121,870	4,000	100.00	99,579	(32,678)	(32,678)	
	Mechema Korea Co., Ltd.	South Korea	Manufacturing of oxidation catalysts	125,529	125,529	876,404	100.00	130,550	(11,057)	(11,057)	
	Mechema Chemical (Malaysia) Co., Ltd.	Malaysia	Manufacturing of oxidation catalysts	49,042	49,042	5,000,000	100.00	(2,642)	(1,679)	(1,422)	
	Mechema Toda Corporation	Taiwan	Manufacturing of battery cathode materials	150,100	150,100	15,010,000	50.00	14,228	(203,412)	(101,706)	
	Catalyst Development Co., Ltd.	British Virgin Islands	Investment holding	270,419	270,419	8,100,000	100.00	469,911	987	987	

Note: Refer to Table 6 for the information on investments in mainland China.

TABLE 6

MECHEMA CHEMICALS INTERNATIONAL CORP.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Information of investee company, main business and products, paid-in capital, method of investment, remittance of funds, net income of the investee, % of ownership, carrying amount of investments and repatriation of investment income:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Investee Company's Current Net Income	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
Mechema Chemical (Xiamen) Co., Ltd.	Real estate business	\$ 113,751	Investee Companies in mainland China through a third party	US\$2,100 thousand (equivalent to NT\$72,847 thousand)	\$ -	\$ -	US\$2,100 thousand (equivalent to NT\$72,847 thousand)	\$ 6,310	100.00	\$ 6,310	\$ 64,127	\$ -
Mechema Chemical (Shang Yu) Co., Ltd.	Manufacturing of oxidation catalyst	197,572	Investee Companies in mainland China through a third party	US\$6,000 thousand (equivalent to NT\$197,572 thousand)	-	-	US\$6,000 thousand (equivalent to NT\$197,572 thousand)	(5,833)	100.00	(5,833)	391,542	-

Note: The amount was calculated based on the audited financial statements.

2. Upper Limit on the amount of investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$8,100 thousand (Equivalent to NT\$270,419 thousand)	US\$8,100 thousand	\$673,043 thousand (\$1,121,738 thousand × 60%)

3. Significant transactions with investee companies in mainland China, either directly or indirectly through a third party:

Investee Companies	Relationship	Transaction Type	Amount	Transaction Details			Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
				Price	Payment Terms	Compared with Terms of Third Parties	Balance	%	
Mechema Chemical (Shang Yu) Co., Ltd.	Subsidiary	Sale	\$ -	Negotiable	Net of 240 days from the end of the month in which the invoice is issued	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	\$ 3,071	1.7	\$ -

TABLE 7**MECHEMA CHEMICALS INTERNATIONAL CORP.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Yen Lungtsai	6,086,725	8.11
JhihYuan Investment Co., Ltd.	4,508,320	6.01

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred 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 consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

MECHEMA CHEMICALS INTERNATIONAL CORP.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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Major Accounting Items in Profit or Loss	
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MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Note receivable		
Other (Note)		<u>\$ 4</u>
Accounts receivable		
Company A		56,137
Company B		10,302
Company C		9,922
Company D		9,404
Other (Note)		<u>9,610</u>
Less: Allowance for doubtful accounts		<u>(1,021)</u>
		<u>\$ 94,358</u>

Note: Each of the accounts' amounts was less than 5% of the total account balance.

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Mechema Toda Corporation	Sales of goods	\$ 67,818
Mechema Chemicals (Thailand) Co., Ltd.	Sales of goods	10,222
Mechema Korea Co., Ltd.	Sales of goods	8,184
Mechema Chemical (Shang Yu) Co., Ltd.	Sales of goods	<u>3,070</u>
		<u>\$ 89,294</u>

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Cost	Net Realized Value (Note)
Finished goods	\$ 93,505	\$ 89,505
Work in process	56,637	54,214
Raw materials	<u>40,458</u>	<u>38,727</u>
	<u>\$ 190,600</u>	<u>\$ 182,446</u>

Note: Inventory value has been deducted from the net realizable amount.

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase in the Current Year		Decrease in the Current Year		Equity in Investees Gain (Loss)	Adjustments of Deferred Credits	Ending Balance			Basis of the Evaluation	Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	% of Ownership	Amount		
Mechema Chemicals (Thailand) Co., Ltd. (Note)	310,000	\$ 117,769	-	\$ 1,038	-	\$ -	\$ 1,396	\$ (1,233)	310,000		\$ 118,970	Equity method	None
PT Mechema Indonesia (Note)	4,000	130,621	-	1,116	-	-	(32,678)	520	4,000		99,579	Equity method	None
Mechema Korea Co., Ltd. (Note)	876,404	144,869	-	-	-	(3,784)	(11,057)	522	876,404		130,550	Equity method	None
Mechema Chemical (Malaysia) Co., Ltd. (Note)	5,000,000	(1,295)	-	75	-	-	(1,422)	-	5,000,000		(2,642)	Equity method	None
Catalyst Development Co., Ltd. (Note)	8,100,000	477,485	-	-	-	(8,538)	987	(23)	8,100,000		469,911	Equity method	None
Mechema Toda Corporation (Note)	15,010,000	<u>112,074</u>	-	<u>-</u>	-	<u>-</u>	<u>(101,706)</u>	<u>3,860</u>	15,010,000		<u>14,228</u>	Equity method	None
		<u>\$ 981,523</u>		<u>\$ 2,229</u>		<u>\$ (12,322)</u>	<u>\$ (144,480)</u>	<u>\$ 3,646</u>			<u>\$ 830,596</u>		

Note: The increase/decrease in the current period is the exchange gain (loss) on translation of financial statements of foreign operating institutions.

MECHEMA CHEMICALS INTERNATIONAL CORP.

**STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Creditors	Explanation	Amount	Contract Period	Interest Rate (%)	Loan Commitments	Collateral
Bank A	Unsecured loans (NTD)	\$ 190,000	Repayable in full upon maturity	1.70	NT\$300,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank B	Unsecured loans (NTD)	85,000	Repayable in full upon maturity	1.65	NT\$220,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank C	Unsecured loans (USD)	29,016	Repayable in full upon maturity	6.50-6.51	NT\$200,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank D	Unsecured loans (USD)	<u>25,685</u>	Repayable in full upon maturity	6.45	NT\$150,000 thousand	Jointly guaranteed by chairman of the board of the Company
		<u>\$ 329,701</u>				

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Creditors	Explanation	Amount	Interest Rate (%)	Loan Commitments	Collateral
Bank E	Long-term borrowings (NTD)	<u>\$ 70,000</u>	2.095	\$70,000 thousand	Jointly guaranteed by chairman of the board of the Company

Note: The loan is classified as a current portion of long-term loan.

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF NOTES AND TRADE PAYABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Company E		\$ 7,554
Company F		6,057
Company G		4,369
Company H		1,687
Company I		1,546
Other (Note)		<u>9,712</u>
		<u>\$ 30,925</u>

Note: Each of the accounts' amounts was less than 5% of the total account balance.

MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF OTHER PAYABLES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Accrued salaries and wages		\$ 10,910
Accrued import expense		1,507
Accrued commission		1,848
Accrued others (Note)		<u>6,624</u>
		<u>\$ 20,889</u>

Note: Each of the accounts' amounts was less than 5% of the total account balance.

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF COST OF GOODS SOLD
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

Item	Amount
Cost of sales of goods manufactured by the Company	
Beginning balance of raw materials	\$ 214,619
Add: Purchase of raw materials	1,271,628
Less: Ending balance of raw materials	(37,148)
Raw materials sold	<u>(987,684)</u>
Raw materials used in production	<u>461,415</u>
Beginning balance of supplies	5,381
Add: Purchase of supplies	30,780
Less: Ending balance of supplies	(3,310)
Supplies sold	<u>(2,066)</u>
Supplies used in production	<u>30,785</u>
Direct labor	10,128
Manufacturing expenses	<u>48,272</u>
Manufacturing costs	550,600
Add: Beginning balance of work in process	84,819
Add: Purchase of semi-finished goods	30,536
Less: Ending balance of work in process	(56,637)
Work in process sold	<u>(131,657)</u>
Finished goods costs	477,661
Add: Beginning balance of finished goods	43,200
Add: Purchases of finished goods	102,000
Less: Ending balance of finished goods	(93,154)
Less: Others	(359)
Reversals of inventory write-downs	(39,208)
Costs of supplies sold	2,066
Costs of raw materials sold	987,684
Costs of semi-finished goods sold	<u>131,657</u>
Total	<u>1,611,547</u>
Costs of merchandise sold	
Add: Beginning balance of merchandise	529
Add: Purchases of merchandise	943
Add: Others	(1,114)
Less: Ending balance of merchandise	<u>(351)</u>
Total	<u>7</u>
Cost of goods sold	<u>\$ 1,611,554</u>

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries and wages	\$ 4,487	\$ 16,063	\$ 5,811	\$ 26,361
Export expenses	8,095	-	-	8,095
Professional service fees	-	3,844	-	3,844
Depreciation expenses	96	1,931	1,526	3,553
Employees' insurance	507	1,741	632	2,880
Transportation expenses	2,765	153	74	2,992
Entertainment expenses	484	768	64	1,316
Commission expenses	2,115	-	-	2,115
Employee benefits	140	257	140	537
Retirement pension	258	598	311	1,167
Utility bills	263	287	263	813
Tax expenses	231	310	231	772
Travel expenses	318	158	85	561
Others	<u>2,373</u>	<u>6,380</u>	<u>6,163</u>	<u>14,916</u>
	<u>\$ 22,132</u>	<u>\$ 32,490</u>	<u>\$ 15,300</u>	<u>\$ 69,922</u>

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF EMPLOYEE WELFARE, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
 (In Thousands of New Taiwan Dollars)

Item	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries	\$ 18,383	\$ 24,536	\$ 42,919	\$ 23,528	\$ 34,894	\$ 58,422
Employees' insurance	1,935	2,774	4,709	1,887	2,476	4,363
Pension fund	785	1,167	1,952	719	1,011	1,730
Director's remuneration	-	1,825	1,825	-	3,200	3,200
Other employee benefits	<u>1,239</u>	<u>1,314</u>	<u>2,553</u>	<u>2,011</u>	<u>2,154</u>	<u>4,165</u>
	<u>\$ 22,342</u>	<u>\$ 31,616</u>	<u>\$ 53,958</u>	<u>\$ 28,145</u>	<u>\$ 43,735</u>	<u>\$ 71,880</u>
Depreciation expenses	<u>\$ 11,833</u>	<u>\$ 3,553</u>	<u>\$ 15,386</u>	<u>\$ 9,881</u>	<u>\$ 3,524</u>	<u>\$ 13,405</u>
Amortization expenses	<u>\$ 3,194</u>	<u>\$ 905</u>	<u>\$ 4,099</u>	<u>\$ 2,371</u>	<u>\$ 415</u>	<u>\$ 2,786</u>

Note 1: For the present year and the previous year, the Company had average of 57 employees in both years, which included 1 and 2 non-employee directors, respectively.

Note 2: Average employee benefits for the years ended December 31, 2023 and 2022 were \$931 thousand and \$1,249 thousand, respectively.

Note 3: Average salary for the years ended December 31, 2023 and 2022 were \$766 thousand and \$1,062 thousand, respectively.

Note 4: The average salary decreased by 27.9% year over year.

Note 5: The Company didn't have the supervisors for the year ended December 31, 2023 and 2022. Therefore, the Company did not have the corresponding remuneration of supervisors.

Note 6: The remuneration of directors and managers is determined by the Remuneration Committee in accordance with individual performance and market trends. Staff remuneration is based on Company's policy and market trends.