

**Jinan Acetate Chemical Co., Ltd. and
Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Jinan Acetate Chemical Co., Ltd.

Opinion

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

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

Basis for Opinion

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

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

Occurrence of Operating Revenue Recognize in Substantial Growth of Customers Sales

At the year ended December 31, 2022, the Group's revenue increased compare to the year ended December 31, 2021. In 2022, among part of the Group's customers have substantial growth in operating revenue than previous year. We, therefore, consider the recognition of operating revenue growth with customers sales, which have substantial growth in operating revenue than previous year as a key audit matter. Please refer to Notes 4 and 22 to the consolidated financial statements for the relevant accounting policy.

The key audit procedures performed in respect of the above area included the following:

1. We obtained on understanding of the Group's policies procedures and internal controls for revenue recognition and tested the effectiveness and efficiency of operations of the key controls over the occurrence of revenue recognize.
2. We analyzed the sales customers, which mentioned above, with the reason for the change in operating revenue.
3. We selected the sample transactions of the sales customers, which mentioned above, in the sales records for substantive tests and confirmed them with the supporting shipping documents, and verified the collection after the reporting period.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Jinan Acetate Chemical Co., Ltd.'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yao-Ling Huang and Suei-Chin Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,941,021	36	\$ 646,169	18
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 18)	381	-	697	-
Financial assets at amortized cost - current (Notes 4, 9 and 29)	66,263	1	169,309	5
Notes and accounts receivable, net (Notes 4, 10 and 22)	185,627	4	425,429	12
Accounts receivable from related parties (Notes 4, 10, 22 and 28)	34,771	1	18,589	-
Other receivables (Note 4)	59,273	1	29,782	1
Current tax assets (Notes 4 and 24)	-	-	6,141	-
Inventories, net (Notes 4 and 11)	375,439	7	382,732	10
Prepayments (Notes 16 and 28)	288,107	5	222,937	6
Non-current assets held for sale (Notes 4 and 12)	-	-	101,128	3
Other current assets (Notes 4, 16, 28 and 29)	454,630	8	143,312	4
Total current assets	<u>3,405,512</u>	<u>63</u>	<u>2,146,225</u>	<u>59</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 18)	236	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	37,234	1	24,055	1
Property, plant and equipment (Notes 4, 14 and 29)	1,508,133	28	1,265,424	35
Right-of-use assets (Notes 4, 15 and 29)	75,396	1	77,960	2
Deferred tax assets (Notes 4 and 24)	53,674	1	44,056	1
Other non-current assets (Notes 4 and 16)	331,832	6	77,470	2
Total non-current assets	<u>2,006,505</u>	<u>37</u>	<u>1,488,965</u>	<u>41</u>
TOTAL	<u>\$ 5,412,017</u>	<u>100</u>	<u>\$ 3,635,190</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 29)	\$ 365,449	7	\$ 489,416	13
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 18)	5,270	-	2,591	-
Contract liabilities - current (Note 22)	344,427	6	126,900	4
Notes and accounts payable, net	288,993	5	140,061	4
Other payables (Notes 19 and 28)	543,696	10	216,472	6
Current tax liabilities (Notes 4 and 24)	42,443	1	-	-
Current portion of bonds payable (Notes 4 and 18)	87,029	2	349,167	10
Current portion of long-term borrowings (Note 17)	-	-	41,520	1
Other current liabilities	27,314	1	6,231	-
Total current liabilities	<u>1,704,621</u>	<u>32</u>	<u>1,372,358</u>	<u>38</u>
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 18)	-	-	43,380	1
Bonds payable (Notes 4 and 18)	54,870	1	530,796	15
Long-term borrowings (Note 17)	-	-	41,520	1
Deferred tax liabilities (Notes 4 and 24)	-	-	9,610	-
Total non-current liabilities	<u>54,870</u>	<u>1</u>	<u>625,306</u>	<u>17</u>
Total liabilities	<u>1,759,491</u>	<u>33</u>	<u>1,997,664</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Share capital				
Ordinary shares	703,263	13	585,756	16
Capital surplus	1,608,577	30	433,575	12
Retained earnings				
Legal reserve	278,957	5	184,044	5
Special reserve	105,120	2	63,211	2
Unappropriated earnings	1,020,270	19	482,010	13
Total retained earnings	1,404,347	26	729,265	20
Other equity				
Exchange differences on translating the financial statements of foreign operations	(115,627)	(2)	(125,963)	(4)
Unrealized valuation loss on financial assets at fair value through other comprehensive income	(14,615)	-	(16,882)	-
Revaluation surplus (Note 12)	-	-	65,146	2
Total other equity	(130,242)	(2)	(77,699)	(2)
Treasury shares	(80,870)	(2)	(153,986)	(4)
Total equity attributable to owners of the Company	3,505,075	65	1,516,911	42
NON-CONTROLLING INTERESTS	147,451	2	120,615	3
Total equity	<u>3,652,526</u>	<u>67</u>	<u>1,637,526</u>	<u>45</u>
TOTAL	<u>\$ 5,412,017</u>	<u>100</u>	<u>\$ 3,635,190</u>	<u>100</u>

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

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 28)	\$ 4,269,391	100	\$ 2,714,866	100
OPERATING COSTS (Notes 4, 11, 23 and 28)	<u>(2,585,821)</u>	<u>(61)</u>	<u>(1,899,781)</u>	<u>(70)</u>
GROSS PROFIT	<u>1,683,570</u>	<u>39</u>	<u>815,085</u>	<u>30</u>
OPERATING EXPENSES (Notes 4, 23 and 28)				
Selling and marketing expenses	(324,932)	(8)	(192,040)	(7)
General and administrative expenses	(110,530)	(2)	(80,306)	(3)
Research and development expenses	<u>(171,295)</u>	<u>(4)</u>	<u>(190,486)</u>	<u>(7)</u>
Total operating expenses	<u>(606,757)</u>	<u>(14)</u>	<u>(462,832)</u>	<u>(17)</u>
PROFIT FROM OPERATIONS	<u>1,076,813</u>	<u>25</u>	<u>352,253</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Other income	17,104	1	30,989	1
Finance costs	(34,207)	(1)	(35,073)	(2)
Interest income	7,563	-	2,247	-
Other gains and losses	(3,455)	-	(3,168)	-
Foreign exchange gains (loss)	98,167	2	(28,559)	(1)
Gains on disposal of non-current assets held for sale (Note 12)	284,519	7	-	-
Net gain (loss) on fair value changes of financial liabilities at fair value through profit or loss (Note 18)	<u>(32,643)</u>	<u>(1)</u>	<u>46,755</u>	<u>2</u>
Total non-operating income and expenses	<u>337,048</u>	<u>8</u>	<u>13,191</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,413,861	33	365,444	13
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(139,473)</u>	<u>(3)</u>	<u>(5,245)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,274,388</u>	<u>30</u>	<u>360,199</u>	<u>13</u>

(Continued)

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ 2,834	-	\$ (1,578)	-
Exchange differences arising on translation to the presentation currency	<u>39,316</u>	<u>1</u>	<u>(16,465)</u>	<u>-</u>
	<u>42,150</u>	<u>1</u>	<u>(18,043)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of the financial statements of foreign operations	<u>(27,283)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income	<u>14,867</u>	<u>-</u>	<u>(18,043)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,289,255</u>	<u>30</u>	<u>\$ 342,156</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,249,816	29	\$ 357,500	13
Non-controlling interests	<u>24,572</u>	<u>1</u>	<u>2,699</u>	<u>-</u>
	<u>\$ 1,274,388</u>	<u>30</u>	<u>\$ 360,199</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,262,419	29	\$ 340,669	13
Non-controlling interests	<u>26,836</u>	<u>1</u>	<u>1,487</u>	<u>-</u>
	<u>\$ 1,289,255</u>	<u>30</u>	<u>\$ 342,156</u>	<u>13</u>
EARNINGS PER SHARE (NT\$, Note 25)				
Basic	<u>\$ 20.72</u>		<u>\$ 6.23</u>	
Diluted	<u>\$ 17.93</u>		<u>\$ 5.32</u>	

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

(Concluded)

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company							Other Equity							Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains on Property Revaluation	Treasury Shares	Total				
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total									
BALANCE AT JANUARY 1, 2021	51,077	\$ 510,767	\$ 433,575	\$ 133,588	\$ 78,601	\$ 509,525	\$ 721,714	\$ (110,395)	\$ (15,619)	\$ 65,146	\$ (60,868)	\$ (115,905)	\$ 1,489,283	\$ 119,128	\$ 1,608,411	
Appropriation of 2020 earnings																
Legal reserve	-	-	-	50,456	-	(50,456)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	(15,390)	15,390	-	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	(274,960)	(274,960)	-	-	-	-	-	(274,960)	-	(274,960)	
Share dividends distributed by the Company	7,499	74,989	-	-	-	(74,989)	(74,989)	-	-	-	-	-	-	-	-	
	7,499	74,989	-	50,456	(15,390)	(385,015)	(349,949)	-	-	-	-	-	(274,960)	-	(274,960)	
Net profit for the year ended December 31, 2021	-	-	-	-	-	357,500	357,500	-	-	-	-	-	357,500	2,699	360,199	
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	(15,568)	(1,263)	-	(16,831)	-	(16,831)	(1,212)	(18,043)	
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	357,500	357,500	(15,568)	(1,263)	-	(16,831)	-	340,669	1,487	342,156	
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(38,081)	(38,081)	-	(38,081)	
BALANCE AT DECEMBER 31, 2021	58,576	585,756	433,575	184,044	63,211	482,010	729,265	(125,963)	(16,882)	65,146	(77,699)	(153,986)	1,516,911	120,615	1,637,526	
Appropriation of 2021 earnings																
Legal reserve	-	-	-	94,913	-	(94,913)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	41,909	(41,909)	-	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	(585,067)	(585,067)	-	-	-	-	-	(585,067)	-	(585,067)	
	-	-	-	94,913	41,909	(721,889)	(585,067)	-	-	-	-	-	(585,067)	-	(585,067)	
Net profit for the year ended December 31, 2022	-	-	-	-	-	1,249,816	1,249,816	-	-	-	-	-	1,249,816	24,572	1,274,388	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	10,336	2,267	-	12,603	-	12,603	2,264	14,867	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	1,249,816	1,249,816	10,336	2,267	-	12,603	-	1,262,419	26,836	1,289,255	
Issuance of ordinary shares for cash	3,000	30,000	270,096	-	-	-	-	-	-	-	-	-	300,096	-	300,096	
Components of convertible bonds recognized as equity	-	-	16,146	-	-	-	-	-	-	-	-	-	16,146	-	16,146	
Convertible bonds converted to ordinary shares	9,263	92,637	884,384	-	-	-	-	-	-	-	-	-	977,021	-	977,021	
Cancelation of treasury shares	(513)	(5,130)	(3,643)	-	-	(54,813)	(54,813)	-	-	-	-	63,586	-	-		
Treasury shares transferred to employees	-	-	8,019	-	-	-	-	-	-	-	-	9,530	17,549	-	17,549	
Proceeds from disposal of non-current assets held for sale	-	-	-	-	-	65,146	65,146	-	-	(65,146)	(65,146)	-	-	-	-	
BALANCE AT DECEMBER 31, 2022	70,326	\$ 703,263	\$ 1,608,577	\$ 278,957	\$ 105,120	\$ 1,020,270	\$ 1,404,347	\$ (115,627)	\$ (14,615)	\$ -	\$ (130,242)	\$ (80,870)	\$ 3,505,075	\$ 147,451	\$ 3,652,526	

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

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,413,861	\$ 365,444
Adjustments for:		
Depreciation expenses	179,882	134,565
Net gain (loss) on fair value changes of financial liabilities at fair value through profit or loss	32,643	(46,755)
Finance costs	34,207	35,073
Interest income	(7,563)	(2,247)
Compensation cost of employee share options	10,040	-
Loss on disposal of property, plant and equipment	338	223
Gain on disposal of non-current assets held for sale	(284,519)	-
Write-down (reversal of write-down) of inventories	(829)	559
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	10,920
Notes receivable and Accounts receivable	239,802	160,649
Accounts receivable from related parties	(16,182)	56,798
Other receivables	14,673	4,941
Inventories	8,122	(163,312)
Prepayments	(65,170)	(158,955)
Other current assets	(267,540)	(50,994)
Financial liability held for trading	(697)	3,557
Contract liabilities	217,527	79,327
Notes and accounts payable	148,932	(17,427)
Other payables	56,374	59,576
Other current liabilities	14,859	3,916
Cash generated from operations	<u>1,728,760</u>	<u>475,858</u>
Interest paid	(11,045)	(2,892)
Income tax paid	<u>(108,723)</u>	<u>(17,819)</u>
Net cash generated from operating activities	<u>1,608,992</u>	<u>455,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(10,000)	-
Purchase of financial assets at amortized cost	(1,810)	(164,444)
Proceeds from sale of financial assets at amortized cost	118,248	-
Proceeds from disposal of non-current assets held for sale	342,875	-
Payments for property, plant and equipment	(332,665)	(424,779)
Proceeds from disposal of property, plant and equipment	3,198	39
Increase in refundable deposits	(51,281)	-
Decrease in refundable deposits	-	(26,662)
Decrease in other non-current assets	-	10
Increase in prepayments for equipment	(317,519)	(77,443)
Interest received	<u>8,618</u>	<u>3,109</u>
Net cash used in investing activities	<u>(240,336)</u>	<u>(690,170)</u>

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JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$ (123,967)	\$ 438,969
Proceeds from issuance of convertible bonds	506,456	-
Repayments of convertible bonds	(346,100)	(148,727)
Proceeds from long-term borrowings	-	83,040
Repayments of long-term borrowings	(83,040)	-
Proceeds from guarantee deposits received	6,224	658
Dividends paid to owners of the Company	(314,103)	(274,960)
Proceeds from issuance of ordinary shares	298,075	-
Payments for buy-back of ordinary shares	-	(38,081)
Treasury shares transferred to employees	<u>9,530</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(46,925)</u>	<u>60,899</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(26,879)</u>	<u>(11,037)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,294,852	(185,161)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>646,169</u>	<u>831,330</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,941,021</u>	<u>\$ 646,169</u>

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

(Concluded)

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Jinan Acetate Chemical Co., Ltd. (the “Company”) was incorporated in Cayman Islands on September 25, 2014. The Company was established mainly for organizational restructuring. In accordance with the equity exchange agreement, the Company has become the holding company of the consolidated entities after the organizational restructuring have been completed on September 25, 2014.

The Company’s shares have been listed on the Taiwan Stock Exchange (TSE) since November 9, 2015.

The Group’s financing activities and investing activities in Taiwan are mainly in New Taiwan dollars. In order to consider the efficiency of the Group’s fund raising management, the Company’s board of directors resolved to change functional currency from Renminbi to New Taiwan dollars on July 15, 2022. In accordance with the International Accounting Standards (IAS) 21 - The Effects of Changes in Foreign Exchange Rates, the change applied prospectively from July 1, 2022.

The consolidated financial statements are presented the Company’s functional currency in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 23, 2023.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

As of the date the consolidated financial statements were authorized for issue, the Group assessed the impact that the application of above standards and interpretations would not have any material impact on the Group's financial position and financial performance.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value.

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group 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.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 13, Tables 8 and 9 for the detailed information of subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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 in the period in which they arise.

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

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

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and branches in other countries that use currency which are different from the currency of the Company) is 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

Due to the continuous increase in the part of financing activities and investment activities based on New Taiwan dollars, the Company changed the functional currency from Renminbi to New Taiwan dollars and applied the conversion procedure prospectively from July 1, 2022.

f. Inventories

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

g. 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.

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

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 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.

h. Impairment of property, plant and equipment and right-of-use asset

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Non-current assets held for sale

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

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

j. Financial instruments

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets and refundable deposits, are measured at amortized cost, which equals to 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 a financial asset.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group 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 Group determines that internal or external information show that the debtor is unlikely to pay its creditors indicate that a financial asset is in default.

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.

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by the Group 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 Group 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. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss. Transaction costs that relate to the issuance of the convertible notes are allocated to the derivative financial liability component and the non-derivative financial liability component in proportion to their relative fair values.

As mentioned in Note 1 of the financial statements, the Company changed functional currency from Renminbi to New Taiwan dollars on July 1, 2022. The Company elected to reconsider the classification of conversion option of convertible bonds upon the change of functional currency in accordance with IAS 8. If the convertible bond conversion rights previously classified as financial liabilities are reassessed to meet the equity classification, they are reclassified to equity at their fair value on the date functional currency changed. The reclassification does not have any impact on profit or loss.

k. Revenue recognition

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

Revenue from the sale of goods comes from sales of cellulose acetate tow and cellulose acetate. Sales of cellulose acetate tow and cellulose acetate are recognized as revenue when the goods are shipped because it is the time when the customer has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

l. Leasing

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

1) The Group 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.

2) The Group as lessee

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

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

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.

m. Borrowing costs

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

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

The Group participates in the local government pension plans in accordance with local regulations, contributing pension regularly to the government according to a certain percentage of the employee's salary. Payments to defined contribution retirement benefit plans are recognized as expenses for the current period when employees have rendered services entitling them to the contributions.

p. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees and treasury shares transferred to employees is the date on which the number of shares that the employees purchase is confirmed and the board of directors approves the transaction.

q. Taxation

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

1) Current tax

According to the People's Republic of China (PRC) Enterprise Income Tax Law, the tax rate is 25%. Jinan Acetate Chemical Co., Ltd (China) of the Group and Acetek Material Co., Ltd (China) of the Group have acquired the High-tech Enterprise Certificate in 2021 and 2019. The applicable tax rate for both companies is 15%. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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.

The Group considers the possible impact of the recent development of the COVID-19 pandemic, the military conflict between Russia and Ukraine and related international sanctions and their economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 734	\$ 226
Demand deposits	1,838,962	512,754
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>101,325</u>	<u>133,189</u>
	<u>\$ 1,941,021</u>	<u>\$ 646,169</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2022	2021
Demand deposits	0.001%-1.5%	0.001%-0.6%
Time deposits	2.5%-3.5%	0.5%-1.4%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 697
Convertible options (Note 18)	<u>381</u>	<u>-</u>
	<u>\$ 381</u>	<u>\$ 697</u>
<u>Financial assets at FVTPL - non-current</u>		
Derivative financial assets (not under hedge accounting)		
Convertible options (Note 18)	<u>\$ 236</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Convertible options (Note 18)	\$ -	\$ 2,591
Foreign exchange forward contracts	<u>5,270</u>	<u>-</u>
	<u>\$ 5,270</u>	<u>\$ 2,591</u>
<u>Financial liabilities at FVTPL - non-current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Convertible options (Note 18)	<u>\$ -</u>	<u>\$ 43,380</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Sell	EUR/RMB	2023.1	USD500/RMB3,462
Sell	EUR/RMB	2023.2	USD1,500/RMB10,414
Sell	EUR/RMB	2023.4	USD500/RMB3,473
<u>December 31, 2021</u>			
Sell	USD/RMB	2022.1	USD500/RMB3,345
Sell	USD/RMB	2022.3	USD250/RMB1,610

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Foreign investments		
Unlisted shares		
Ordinary shares - ELEUNG LIMITED	\$ 27,234	\$ 24,055
Ordinary shares - HOLYARD INTERNATIONAL CO., LTD	<u>10,000</u>	<u>-</u>
	<u>\$ 37,234</u>	<u>\$ 24,055</u>

The Group holds 25% of the ordinary shares of ELEUNG LIMITED for the years ended December 31, 2022 and 2021. However, according to the shareholders' agreement, the owner shareholders shall have the control in the composition of company's board of directors, moreover, the Group has no authority to participate in the investee's financial and operating policy decisions; therefore, the investment is not accounted for as an associated company.

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ <u>66,263</u>	\$ <u>169,309</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.00%-3.50% and 0.22%-0.25% per annum as of December 31, 2022 and 2021, respectively.
- b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes and accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 185,627	\$ 425,429
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 185,627</u>	<u>\$ 425,429</u>
<u>Accounts receivable from related parties</u>		
At amortized cost		
Gross carrying amount	\$ 34,771	\$ 18,589
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 34,771</u>	<u>\$ 18,589</u>

The Group takes advance payments for the sales of goods through letters of credit. The credit period of sales of goods was between 30 and 180 days. No interest was charged on trade and notes receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on 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, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group'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 Group's different customer base.

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

December 31, 2022

	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 360 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 126,956	\$ 41,173	\$ 19,961	\$ 12,239	\$ 20,069	\$ -	\$ 220,398
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 126,956</u>	<u>\$ 41,173</u>	<u>\$ 19,961</u>	<u>\$ 12,239</u>	<u>\$ 20,069</u>	<u>\$ -</u>	<u>\$ 220,398</u>

December 31, 2021

	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 360 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 268,848	\$ 42,822	\$ 31,044	\$ 40,318	\$ 60,986	\$ -	\$ 444,018
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 268,848</u>	<u>\$ 42,822</u>	<u>\$ 31,044</u>	<u>\$ 40,318</u>	<u>\$ 60,986</u>	<u>\$ -</u>	<u>\$ 444,018</u>

Compare to January 1, 2022 and 2021, the group did not recognize allowance for impairment loss on receivables at December 31, 2022 and 2021, respectively; resulted from the decreased in accounts receivables net of those collected of \$223,620 thousand and \$217,447 thousand, respectively.

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	\$ 76,187	\$ 129,219
Work in progress	22,405	35,943
Raw materials	224,411	193,919
Supplies	<u>52,436</u>	<u>23,651</u>
	<u>\$ 375,439</u>	<u>\$ 382,732</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$2,585,821 thousand and \$1,899,781 thousand, respectively. The inventory write-downs was \$829 thousand and reversal of write-down \$559 thousand, respectively.

Inventory write-downs were reversed as a result of increased selling prices.

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Group's subsidiary, Jinan Acetate Chemical, signed the expropriation contract with Jinan Prior Zone For Replacing Old Growth with New Zones Management Committee Construction Management Department on August 17, 2021. The investment properties with the right of use assets and buildings, which located in Qingning area, was reclassified as non-current assets held for sale. The disposal was completed in January 2022. Disposal gain \$284,519 thousand was recognized, and the related other equity - revaluation increment of \$65,146 thousand was transferred to retained earnings.

Non-current assets held for sale

	December 31	
	2022	2021
Freehold land held for sale	<u>\$ -</u>	<u>\$ 101,128</u>
Equity directly associated with non-current assets classified as held for sale	<u>\$ -</u>	<u>\$ 65,146</u>

The fair values of investment properties were measured on a recurring basis as follows:

	December 31	
	2022	2021
Independent valuation	\$ <u> -</u>	\$ <u>101,128</u>

13. SUBSIDIARIES

a. Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2022	2021
The Company	My Parents Living Technology Limited (Hong Kong) (“My Parents”)	Investments	100.00	100.00
My Parents	Jinan Acetate Chemical Co., Ltd. (China) (“Jinan Acetate Chemical”)	Production and sales of cellulose acetate tow	100.00	100.00
Jinan Acetate Chemical	Acetek Material Co., Ltd. (China) (“Acetek Material”)	Production and sales of cellulose acetate	80.00	80.00 (Note 1)
My Parents	Acetek Material Co., Ltd. (China) (“Acetek Material”)	Production and sales of cellulose acetate	-	- (Note 1)
My Parents	Acetek Chemical Co., Ltd. (China) (“Acetek Chemical”)	Investments	80.00	80.00
Jinan Acetate Chemical	Acetek Momentun Co., Ltd. (China) (“Acetek Momentun”)	Manufacturing and sales of cellulose anhydride	71.35	71.35 (Note 2)
My Parents	Acetek Momentun Co., Ltd. (China) (“Acetek Momentun”)	Manufacturing and sales of cellulose anhydride	28.65	28.65 (Note 2)
My Parents	Acetate (Shandong) Environmental Fiber Co., Ltd. (China) (“Acetek Environmental”)	Manufacturing and sales of cellulose acetate fiber	100.00 (Note 3)	100.00 (Note 3)

Note 1: My Parents transferred shares of Acetek Material 27.2% to Jinan Acetate Chemical in November 2021. The Group did not change its shareholding in Acetek Material.

Note 2: In 2021, My Parents and Jinan Acetate Chemical invested in Acetek Momentun.

Note 3: In October 2021, My Parents invested in Acetate (Shandong) Environmental Fiber Co., Ltd. and continue invested in 2022.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2022	2021
Acetek Material	Mainland China	20.00%	20.00%

Summarized financial information in respect of Acetek Material that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2022	2021
Current assets	\$ 516,924	\$ 387,249
Non-current assets	823,663	834,030
Current liabilities	<u>(663,882)</u>	<u>(660,045)</u>
Equity	<u>\$ 676,705</u>	<u>\$ 561,234</u>
Equity attributable to:		
Owners of the Company	\$ 541,364	\$ 448,987
Non-controlling interests of Acetek Material	<u>135,341</u>	<u>112,247</u>
	<u>\$ 676,705</u>	<u>\$ 561,234</u>
	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 1,658,003</u>	<u>\$ 1,299,586</u>
Profit for the year	\$ 107,543	\$ 10,112
Other comprehensive income for the year	<u>15,256</u>	<u>(7,878)</u>
Total comprehensive income for the year	<u>\$ 122,799</u>	<u>\$ 2,234</u>
Profit attributable to:		
Owners of the Company	\$ 86,034	\$ 8,090
Non-controlling interests of Acetek Material	<u>21,509</u>	<u>2,022</u>
	<u>\$ 107,543</u>	<u>\$ 10,112</u>
Total comprehensive income attributable to:		
Owners of the Company	\$ 98,239	\$ 1,787
Non-controlling interests of Acetek Material	<u>24,560</u>	<u>447</u>
	<u>\$ 122,799</u>	<u>\$ 2,234</u>
Net cash inflow from:		
Operating activities	\$ 263,827	\$ 127,125
Investing activities	(67,975)	(128,979)
Financing activities	(2,172)	2,172
Effects of exchange rate changes	<u>(2,958)</u>	<u>1,395</u>
Net cash inflow	<u>\$ 190,722</u>	<u>\$ 1,713</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Transportation Equipment	Other Equipment	Construction in Progress Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 235,963	\$ 1,171,533	\$ 11,115	\$ 7,369	\$ 85,386	\$ 1,511,366
Additions	39,856	383,533	1,390	-	-	424,779
Disposals	-	(2,753)	-	-	-	(2,753)
Reclassification	2,056	81,772	476	43	(3,138)	81,209
Effect of foreign currency exchange differences	(1,750)	(8,513)	(83)	(56)	(702)	(11,104)
Balance at December 31, 2021	<u>\$ 276,125</u>	<u>\$ 1,625,572</u>	<u>\$ 12,898</u>	<u>\$ 7,356</u>	<u>\$ 81,546</u>	<u>\$ 2,003,497</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ 69,183	\$ 530,815	\$ 8,168	\$ 4,879	\$ -	\$ 613,045
Depreciation expenses	13,646	115,552	1,420	1,434	-	132,052
Disposals	-	(2,491)	-	-	-	(2,491)
Effect of foreign currency exchange differences	(512)	(3,924)	(61)	(36)	-	(4,533)
Balance at December 31, 2021	<u>\$ 82,317</u>	<u>\$ 639,952</u>	<u>\$ 9,527</u>	<u>\$ 6,277</u>	<u>\$ -</u>	<u>\$ 738,073</u>
Carrying amounts at December 31, 2021	<u>\$ 193,808</u>	<u>\$ 985,620</u>	<u>\$ 3,371</u>	<u>\$ 1,079</u>	<u>\$ 81,546</u>	<u>\$ 1,265,424</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 276,125	\$ 1,625,572	\$ 12,898	\$ 7,356	\$ 81,546	\$ 2,003,497
Additions	18,083	113,568	1,345	-	199,669	332,665
Disposals	-	(4,707)	(585)	-	-	(5,292)
Reclassification	794	14,317	1,581	-	55,109	71,801
Effect of foreign currency exchange differences	4,006	23,556	182	110	1,258	29,112
Balance at December 31, 2022	<u>\$ 299,008</u>	<u>\$ 1,772,306</u>	<u>\$ 15,421</u>	<u>\$ 7,466</u>	<u>\$ 337,582</u>	<u>\$ 2,431,783</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ 82,317	\$ 639,952	\$ 9,527	\$ 6,227	\$ -	\$ 738,073
Depreciation expenses	20,141	154,094	1,776	1,003	-	177,014
Disposals	-	(1,200)	(556)	-	-	(1,756)
Effect of foreign currency exchange differences	1,149	8,944	137	89	-	10,319
Balance at December 31, 2022	<u>\$ 103,607</u>	<u>\$ 801,790</u>	<u>\$ 10,884</u>	<u>\$ 7,369</u>	<u>\$ -</u>	<u>\$ 923,650</u>
Carrying amounts at December 31, 2022	<u>\$ 195,401</u>	<u>\$ 970,516</u>	<u>\$ 4,537</u>	<u>\$ 97</u>	<u>\$ 337,582</u>	<u>\$ 1,508,133</u>

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

Buildings	20 years
Equipment	3-10 years
Transportation equipment	4-5 years
Other equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Land	\$ <u>75,396</u>	\$ <u>77,960</u>
	<u>For the Year Ended December 31</u>	
	2022	2021
Additions to right-of-use assets	\$ <u> -</u>	\$ <u>26,662</u>
Depreciation charge for right-of-use assets		
Land	\$ <u>2,868</u>	\$ <u>2,513</u>

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 29.

b. Material leasing activities and terms

As lessees, Jinan Acetek Chemical Co., Ltd. and Acetek Material Co., Ltd. and Acetate (Shandong) Environmental Fiber Co., Ltd. are leasing certain lands for the use of factory with lease terms of 20 to 50 years. These arrangements do not contain purchase options at the end of the lease terms.

c. Other lease information

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	\$ <u>681</u>	\$ <u>707</u>
Expenses relating to low-value asset leases	\$ <u>14</u>	\$ <u>13</u>
Total cash outflow for leases	\$ <u>(695)</u>	\$ <u>(720)</u>

The Group leases of certain office equipment qualify as short-term leases and leases of certain computer equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. OTHER ASSETS

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Prepayments		
Advanced payments	\$ 171,200	\$ 72,645
Prepayment	76,690	78,289
Tax overpaid retained for offsetting	<u>40,217</u>	<u>72,003</u>
	<u>\$ 288,107</u>	<u>\$ 222,937</u>

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Other current assets		
Pledge deposits	\$ 410,105	\$ 142,878
Refundable deposits	44,521	434
Others	<u>4</u>	<u>-</u>
	<u>\$ 454,630</u>	<u>\$ 143,312</u>
<u>Non-current</u>		
Other non-current assets		
Prepayments for equipment	\$ 324,302	\$ 77,443
Refundable deposits	<u>7,530</u>	<u>27</u>
	<u>\$ 331,832</u>	<u>\$ 77,470</u>

(Concluded)

17. BORROWINGS

Short-term Borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings</u>		
Bank loans	\$ 276,390	\$ 2,172
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>89,059</u>	<u>487,244</u>
	<u>\$ 365,449</u>	<u>\$ 489,416</u>

The range of interest rates on bank loans was 4.44%-5.75% and 0.95%-4.35% per annum at December 31, 2022 and 2021, respectively.

Long-term Borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ -	\$ 83,040
Less: Current portion	<u>-</u>	<u>(41,520)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 41,520</u>

In 2021, the Group obtained a new bank loan of US\$3,000 thousands with interest rates 1.56%. The interest was paid monthly and the loan was amortized quarterly.

18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
First-time unsecured domestic convertible bonds (ROC)	\$ -	\$ 349,167
Second-time unsecured domestic convertible bonds (ROC)	87,029	530,796
Third-time unsecured domestic convertible bonds (ROC)	<u>54,870</u>	<u>-</u>
	141,899	879,963
Less: Current portion	<u>(87,029)</u>	<u>(349,167)</u>
	<u>\$ 54,870</u>	<u>\$ 530,796</u>

As of June 9, 2017, the Company issued \$500,000 thousand, 0% NTD-denominated unsecured convertible bonds in Taiwan, with a total issue amount of \$500,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$173. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. The conversion price as of June 9, 2022 was \$113.6. Conversion may occur at any time between September 10, 2017 and June 9, 2022. The bonds have not been converted was redeemed at par value. As of December 31, 2022, the holders of the Company's unsecured convertible bonds had requested to convert 77 thousand shares of ordinary shares.

The convertible bonds shall be resold in advance by bondholders on the date of the issuance of 3 years (June 9, 2020) and the date of the issuance of 4 years (June 9, 2021). The Company should send a copy of "Notice of Put Provision" to the bondholders by registered mail in 40 days before the base date of resale. The bondholders may require the Company to add interest compensation to the par value of the bonds (101.5075% for 3 years and 102.0151% for 4 years) and to redeem the bonds in cash. Upon receiving the request for resale, the Company shall redeem the bonds in cash within 5 business days after the resale date.

Proceeds from issuance (less transaction costs of \$4,499 thousand)	<u>\$ 500,501</u>
Liability component at the date of issue	<u>\$ 500,501</u>
Liability component at January 1, 2021 (bonds payable of \$473,921 thousand and financial liabilities at fair value through profit or loss - non-current of \$21,450 thousand)	\$ 495,371
Interest charged at an effective interest rate of 3.7371%	15,031
Valuation profit on financial investments	(13,490)
Redeemed convertible bonds	<u>(145,154)</u>
Liability component at December 31, 2021 (bonds payable of \$349,167 thousand and financial liabilities at fair value through profit or loss - current of \$2,591 thousand)	<u>\$ 351,758</u>
Liability component at January 1, 2022 (bonds payable of \$349,167 thousand and financial liabilities at fair value through profit or loss - current of 2,591 thousand)	\$ 351,758
Interest charged at an effective interest rate of 3.7371%	5,733
Valuation profit on financial investments	(2,591)
Convertible bonds converted into ordinary shares	(8,800)
Redemption of convertible bonds at maturity	<u>(346,100)</u>
Liability component, net at December 31, 2022	<u>\$ -</u>

As of September 25, 2020, the Company issued \$600,000 thousand, 0% NTD-denominated unsecured convertible bonds in Taiwan, with a total issue amount of \$600,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$130.7. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. The conversion price as of December 31, 2022 was \$101.7. Conversion may occur at any time between December 26, 2020 and September 25, 2025. If the bonds have not been converted and the closing price of ordinary shares has exceeded 30% of the current conversion price for 30 consecutive business days, the Company may send a copy of “Debt Rebate Notice” with expiration of one month by registered mail within the next 30 business days. The aforementioned period is calculated from the delivery of mail, and the expiration date of the period is determined as the base date for recovery of bonds. The Company redeems the bonds at their par value within 5 business days following the base date. As of December 31, 2022, the holders of the Company's unsecured convertible bonds had requested to convert 4,792 thousand shares of ordinary shares.

The convertible bonds shall be resold in advance by bondholders on the date of the issuance of 3 years (September 25, 2023) and the date of the issuance of 4 years (September 25, 2024). The Company should send a copy of “Notice of Put Provision” to the bondholders by registered mail in 40 days before the base date of resale. The bondholders may require the Company to add interest compensation to the par value of the bonds (100.75% for 3 years and 101.00% for 4 years) and to redeem the bonds in cash. Upon receiving the request for resale, the Company shall redeem the bonds in cash within 5 business days after the resale date.

Proceeds from issuance (less transaction costs of \$4,584 thousand)	<u>\$ 601,416</u>
Liability component at the date of issue	<u>\$ 601,416</u>
Liability component at January 1, 2021 (bonds payable of \$513,646 thousand and financial liabilities at fair value through profit or loss - non-current of \$61,140 thousand)	\$ 574,786
Interest charged at an effective interest rate of 3.2888%	17,150
Valuation profit on financial investments	<u>(17,760)</u>
Liability component at December 31, 2021 (bonds payable of \$530,796 thousand and financial liabilities at fair value through profit or loss - non-current of \$43,380 thousand)	<u>\$ 574,176</u>
Liability component at January 1, 2022 (bonds payable of \$530,796 thousand and financial liabilities at fair value through profit or loss - non-current of \$43,380 thousand)	\$ 574,176
Interest charged at an effective interest rate of 3.2888%	14,405
Valuation loss of financial investments	11,259
Functional currency translation reclassification of equity - share options	(8,730)
Functional currency translation reclassification of equity – share premium arising from bond conversion	(46,290)
Convertible bonds converted into ordinary shares	<u>(458,172)</u>
Liability component, net at December 31, 2022 (bonds payable of \$87,029 thousand and financial assets at fair value through profit or loss - non-current of \$381 thousand)	<u>\$ 86,648</u>

As of May 11, 2022, the Company issued \$500,000 thousand, 0% NTD-denominated unsecured convertible bonds in Taiwan, with a total issue amount of \$500,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$102.1. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. The conversion price as of December 31, 2022 was \$95.9. Conversion may occur at any time between August 12, 2022 and May 11, 2027. If the bonds have not been converted and the closing price of ordinary shares has exceeded 30% of the current conversion price for 30 consecutive business days, the Company may send a copy of “Debt Rebate Notice” with expiration of one month by registered mail within the next 30 business days. The aforementioned period is calculated from the delivery of mail, and the expiration date of the period is determined as the base date for recovery of bonds. The Company redeems the bonds at their par value within 5 business days following the base date. As of December 31, 2022, the holders of the Company's unsecured convertible bonds had requested to convert 4,394 thousand shares of ordinary shares.

The convertible bonds shall be resold in advance by bondholders on the date of the issuance of 3 years (May 11, 2025) and the date of the issuance of 4 years (May 11, 2026). The Company should send a copy of “Notice of Put Provision” to the bondholders by registered mail in 40 days before the base date of resale. The bondholders may require the Company to add interest compensation to the par value of the bonds (100.75% for 3 years and 101.00% for 4 years) and to redeem the bonds in cash. Upon receiving the request for resale, the Company shall redeem the bonds in cash within 5 business days after the resale date.

Proceeds from issuance (less transaction costs of \$3,243 thousand)	<u>\$ 506,456</u>
Liability component at the date of issue	<u>\$ 506,456</u>
Liability component at May 11, 2022 (bonds payable of \$460,056 thousand and financial liabilities at fair value through profit or loss - non-current of \$46,400 thousand)	\$ 506,456
Interest charged at an effective interest rate of 1.6663%	3,138
Valuation loss of financial investments	16,214
Functional currency translation reclassification of equity - share options	(7,416)
Functional currency translation reclassification of equity – share premium arising from bond conversion	(55,434)
Convertible bonds converted into ordinary shares	<u>(408,324)</u>
Liability component, net at December 31, 2022 (bonds payable of \$54,870 thousand and financial assets at fair value through profit or loss - non-current of \$236 thousand)	<u>\$ 54,634</u>

19. OTHER PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Payables for dividends	\$ 270,964	\$ -
Payables for purchases of equipment	68,950	89,689
Payables for security production fee	59,300	35,034
Payables for freight	30,231	5,879
Payables for steam fee	28,794	24,828
Payables for commission	21,888	14,719
Payables for salaries	20,536	18,378
Accrued remuneration to employees and directors	14,644	5,631
Others	<u>28,389</u>	<u>22,314</u>
	<u>\$ 543,696</u>	<u>\$ 216,472</u>

20. RETIREMENT BENEFIT PLANS

Jinan Acetate Chemical and Acetek Material and Acetek Momentun and Acetek Environmental of the Group adopted a defined contribution plan. Under the plan, an entity makes contributions to employees' pension account at percentages of the salary of employees. The pension account is managed by the authorized insurance institution located in China. The employees can withdraw the pension contributed by the Company and by themselves as well as the interest upon retirement.

21. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>70,326</u>	<u>58,576</u>
Shares issued	<u>\$ 703,263</u>	<u>\$ 585,756</u>

On April 15, 2021, the Company's board of directors resolved to issue 7,499 thousand ordinary shares and 74,989 thousand from retained earnings with a par value of \$10, of which increased the share capital issued. On April 23, 2021, the Company's board of director resolved May 29, 2021 as share capital increase base date and fully paid to \$585,756 thousand.

On November 11, 2021, the Company's board of directors resolved to cancel 513 thousand treasury shares with a par value of \$10, and the capital reduction ratio was 0.88%. After the capital reduction, the share capital was \$580,626 thousand, and the base date of capital reduction was January 8, 2022. The change was registered and completed on January 13, 2022.

On March 9, 2022, the Company's board of directors resolved to issue 3,000 thousand ordinary shares with a par value of \$10, for a consideration of \$100 per share and the subscription base date was authorized to determine by the board of directors to be September 8, 2022.

On 2022, the holders of unsecured convertible bonds requested to convert 9,263 thousand shares of ordinary shares with a par value of \$10. Share capital increased to \$703,263 thousand after conversion.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 690,506	\$ 416,034
Conversion of bonds	884,384	-
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiary (2)	17,541	17,541
<u>May not be used for any purpose</u>		
Share options	<u>16,146</u>	<u>-</u>
	<u>\$ 1,608,577</u>	<u>\$ 433,575</u>

1) 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 once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual acquisition.

c. Retained earnings and dividend policy

According to the Articles of Incorporation, when distributing interim dividends, the Company shall (i) estimate and retain taxable contributions, (ii) make up for losses, and (iii) set aside legal reserve (unless the legal reserve has reached the Company's paid-in capital), and distribute interim dividends in accordance with the resolution of the board of directors to distribute earnings.

The Company is in the growing stage. According to the Articles of Incorporation, the board of directors should propose the distribution of shareholders' dividends and submit it to the shareholders' meeting for appropriations of earnings, only after taking into consideration the Company's earnings, overall development, financial planning, capital requirements, industry outlook and future prospects of the Company for each of the fiscal year.

During the period when the shares are listed or traded in Taipei Exchange or Taiwan Stock Exchange, the board of directors when making proposal for distribution of earnings shall first appropriate the earnings in each fiscal year as follows: (i) reserve for tax of the relevant fiscal year; (ii) amount to offset past losses; (iii) from the remaining amount, 10% for legal reserve; and (iv) special reserve required by the securities authorities of the Republic of China in accordance with the rules of a public company. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23-h.

After considering the financial, business and operational factors, according to the Cayman Company Law and the Public Company Rules, all or parts of the unappropriated earnings accumulated in previous years, plus no less than 10% of the after-tax earnings in the current year, can be distributed as shareholders' dividends according to the shareholding ratio. Shareholders' dividends are distributed as stock dividends, cash dividends, or both; cash dividends must not be less than 10% of total dividends.

Appropriation of earnings to legal reserve shall be made until the 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 appropriation of the first half year earnings in 2022, which were resolved by the Company's board of directors on August 19, 2022, were as follows:

	For the Six Months Ended June 30, 2022
Legal reserve	<u>\$ 59,164</u>
Special reserve	<u>\$ 25,078</u>
Cash dividends	<u>\$ 270,964</u>
Cash dividends per share (NT\$)	<u>\$ 4.7</u>

On November 30, 2022, the Board of Directors resolved to authorize the Chairman to adjust the dividend distribution rate for the cash dividends for the six months ended June 30, 2022 due to the issuance of new shares and conversion of corporate bonds for the year ended December 31, 2022. Therefore, the cash dividends distribution rate adjusted from 4.7 per share to 3.96 per share.

The appropriation of the annual earnings in 2022, which were resolved by the Company's board of directors on March 23, 2023, were as follows:

	For the Six Months Ended June 30, 2022	For the Six Months Ended December 31, 2022	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 59,164</u>	<u>\$ 65,818</u>	<u>\$ 124,982</u>
Special reserve	<u>\$ 25,078</u>	<u>\$ 25,122</u>	<u>\$ 50,200</u>
Cash dividends	<u>\$ 270,964</u>	<u>\$ 352,287</u>	<u>\$ 623,251</u>
Share dividends	<u>\$ -</u>	<u>\$ 105,686</u>	<u>\$ 105,686</u>
Cash dividends per share (NT\$)	<u>\$ 3.96</u>	<u>\$ 5.0</u>	<u>\$ 8.96</u>
Share dividends per share (NT\$)	<u>-</u>	<u>1.5</u>	<u>1.5</u>

The appropriation of earnings for 2022 is pending resolution at the shareholders' meeting scheduled to be held on May 31, 2023. The above cash dividends have been resolved by the Board of Directors and the remaining dividends are subject to the resolution of the shareholders' meeting scheduled for May 31, 2023.

The appropriations of earnings for 2021 and 2020 approved in the shareholders' meetings on May 27, 2022 and April 15, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	<u>\$ 35,749</u>	<u>\$ 50,456</u>
Special reserve (reversed)	<u>\$ 16,831</u>	<u>\$ (15,390)</u>
Cash dividends	<u>\$ 314,103</u>	<u>\$ 274,960</u>
Share dividends	<u>\$ -</u>	<u>\$ 74,989</u>
Cash dividends per share (NT\$)	<u>\$ 5.5</u>	<u>\$ 5.5</u>
Share dividends per share (NT\$)	<u>\$ -</u>	<u>\$ 1.5</u>

On May 27, 2022, the shareholders' meeting resolved to authorize the chairman to adjust the dividend distribution rate for the 2021 cash dividends from 5.5 per share to 4.87 per share due to the issuance of new shares and conversion of convertible bonds, which affected the number of outstanding shares.

On April 15, 2021, the shareholders' meeting resolved to authorize the Chairman to adjust the dividend distribution rate of the 2020 cash dividend from 5.50 per share to 4.78 per share due to the issuance of new shares, which affected the number of outstanding shares.

d. Special reserves

	For the Year Ended December 31	
	2022	2021
Beginning at January 1	\$ 63,211	\$ 78,601
Appropriations in respect of		
Debits to other equity items	41,909	-
Reversal of		
Reversal of the debits to other equity items	<u>-</u>	<u>(15,390)</u>
Balance at December 31	<u>\$ 105,120</u>	<u>\$ 63,211</u>

On the initial application of the fair value model to investment properties, the Company appropriated to retained earnings a special reserve in the amount of \$2,344 thousand that was the same as the net increase in the fair value. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 120,615	\$ 119,128
Share in profit for the year	24,572	2,699
Other comprehensive income (loss) during the year		
Exchange differences on translating the financial statements of foreign entities	1,697	(897)
Unrealized valuation gain (loss) on financial assets at FVTOCI	<u>567</u>	<u>(315)</u>
Balance at December 31	<u>\$ 147,451</u>	<u>\$ 120,615</u>

f. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2022	1,466
Retirement of treasury share	(513)
Transfer of treasury shares to employees	<u>(104)</u>
Number of shares at December 31, 2022	<u>849</u>

(Continued)

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2021	1,084
Increase during the year	<u>382</u>
Number of shares at December 31, 2021	<u>1,466</u> (Concluded)

On December 26, 2022, the Board of Directors resolved to transfer 104 thousand shares of treasury stock to employees at a transfer price of \$91.63. The base date for employee stock options was December 26, 2022.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

22. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 4,269,391</u>	<u>\$ 2,714,866</u>

a. Contract information

The goods are sold at the fair value of the consideration received or receivable. The Company eliminates the estimated customer returns, discounts and other similar discounts from the amount of goods sold to determine the revenue from sale of goods.

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivables (Note 10)	<u>\$ 220,398</u>	<u>\$ 444,018</u>	<u>\$ 661,465</u>
Contract liabilities - current	<u>\$ 344,427</u>	<u>\$ 126,900</u>	<u>\$ 47,573</u>

c. Disaggregation of revenue

Refer to Note 33 for information about disaggregation of revenue.

23. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2022	2021
Government subsidy income	\$ 6,876	\$ 25,453
Rental income	-	4,480
Miscellaneous income	<u>10,228</u>	<u>1,056</u>
	<u>\$ 17,104</u>	<u>\$ 30,989</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Loss on disposal of property, plant and equipment	\$ (338)	\$ (223)
Others	<u>(3,117)</u>	<u>(2,945)</u>
	<u>\$ (3,455)</u>	<u>\$ (3,168)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bonds	\$ 23,276	\$ 32,181
Interest on bank loans	<u>10,931</u>	<u>2,892</u>
	<u>\$ 34,207</u>	<u>\$ 35,073</u>

d. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	<u>\$ 7,563</u>	<u>\$ 2,247</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 177,014	\$ 132,052
Operating expenses	<u>2,868</u>	<u>2,513</u>
	<u>\$ 179,882</u>	<u>\$ 134,565</u>
An analysis of amortization by function		
Operating costs	\$ 164,581	\$ 128,311
Operating expenses	<u>15,301</u>	<u>6,254</u>
	<u>\$ 179,882</u>	<u>\$ 134,565</u>

f. Operating expenses directly related to investment properties

	<u>For the Year Ended December 31</u>	
	2022	2021
Direct operating expenses of investment properties generating Rental income	\$ <u> -</u>	\$ <u> 413</u>

g. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2022	2021
Short-term benefits	\$ 153,111	\$ 109,385
Post-employment benefits	13,512	8,733
Other employee benefits	<u>5,994</u>	<u>4,206</u>
Total employee benefits expense	<u>\$ 172,617</u>	<u>\$ 122,324</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 105,114	\$ 73,666
Operating expenses	<u>67,503</u>	<u>48,658</u>
	<u>\$ 172,617</u>	<u>\$ 122,324</u>

h. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrues employees' compensation at a rate of no less than 1% when the Company earned profits in the year. Employees' compensation is paid to employees of subordinate companies that meet certain conditions. When the Company is able to increase the amount of profit, it accrues directors' remuneration at a rate of no more than 3% of the profit of the year. However, if the Company has accumulated losses, it should first retain the amount to offset the losses before accruing employees' and directors' remuneration in accordance with the above-mentioned proportion. The aforementioned profit refers to the Company's pre-tax net profit. To avoid confusion, the pre-tax net profit refers to the amount before the accrual for employees and directors' remuneration.

The employees' compensation and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 23, 2023 and March 9, 2022, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2022	2021
Employees' compensation	1.00%	1.00%
Remuneration of directors	0.16%	0.55%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	\$ 12,644	\$ 3,631
Remuneration of directors	2,000	2,000

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the subsequent period.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Further information on the employees' compensation and remuneration of directors approved in the meetings of the board of directors is available at the "Market Observation Post System" website of the TSE.

i. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 98,964	\$ 4,357
Foreign exchange losses	<u>(797)</u>	<u>(32,916)</u>
Net profit and loss	<u>\$ 98,167</u>	<u>\$ (28,559)</u>

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major component of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
<u>Current tax</u>		
In respect of the current year	\$ (180,007)	\$ (24,675)
Adjustments for prior year	21,755	9,309
<u>Deferred tax</u>		
In respect of the current year	15,592	12,130
Adjustments for prior year	<u>3,187</u>	<u>(2,009)</u>
Income tax expense recognized in profit or loss	<u>\$ (139,473)</u>	<u>\$ (5,245)</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 1,413,861</u>	<u>\$ 365,444</u>
Income tax expense calculated at the statutory rate	\$ (238,923)	\$ (55,456)
Research and development credits	68,745	42,315
Nondeductible expenses in determining taxable income	(871)	(240)
Tax-exempt income	19,608	638
Adjustments for prior years' tax	24,942	7,300
Others	<u>(12,974)</u>	<u>198</u>
Income tax expense recognized in profit or loss	<u>\$ (139,473)</u>	<u>\$ (5,245)</u>

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 6,141</u>
Current tax liabilities		
Income tax payable	<u>\$ 42,443</u>	<u>\$ -</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation and obsolescence loss	\$ 162	\$ (48)	\$ 3	\$ 117
Unrealized compensation	248	458	1	707
FVTPL financial assets	-	793	(2)	791
Tax losses	40,672	7,794	575	49,041
Payables for security production fee	<u>2,974</u>	<u>-</u>	<u>44</u>	<u>3,018</u>
	<u>\$ 44,056</u>	<u>\$ 8,997</u>	<u>\$ 621</u>	<u>\$ 53,674</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized revaluation increments	\$ 9,505	\$ (9,676)	\$ 171	\$ -
FVTPL financial assets	<u>105</u>	<u>(106)</u>	<u>1</u>	<u>-</u>
	<u>\$ 9,610</u>	<u>\$ (9,782)</u>	<u>\$ 172</u>	<u>\$ -</u> (Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation and obsolescence loss	\$ 72	\$ 90	\$ -	\$ 162
Unrealized compensation	230	20	(2)	248
FVTPL financial liabilities	53	(52)	(1)	-
Tax losses	29,450	11,436	(214)	40,672
Payables for security production fee	<u>4,275</u>	<u>(1,267)</u>	<u>(34)</u>	<u>2,974</u>
	<u>\$ 34,080</u>	<u>\$ 10,227</u>	<u>\$ (251)</u>	<u>\$ 44,056</u>

Deferred tax liabilities

Temporary differences				
Unrealized revaluation increments	\$ 9,577	\$ -	\$ (72)	\$ 9,505
FVTPL financial assets	<u>-</u>	<u>106</u>	<u>(1)</u>	<u>105</u>
	<u>\$ 9,577</u>	<u>\$ 106</u>	<u>\$ (73)</u>	<u>\$ 9,610</u>

d. Income tax declarations

The income tax declarations of Jinan Acetate Chemical and Acetek Material and Acetek Momentum and Acetek Environmental of the Group have been completed within the deadlines set by the local tax collection office.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 20.72</u>	<u>\$ 6.23</u>
Diluted earnings per share	<u>\$ 17.93</u>	<u>\$ 5.32</u>

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 1,249,816	\$ 357,500
Effect of potentially dilutive ordinary shares		
Interest and evaluation of convertible bonds	<u>48,159</u>	<u>930</u>
Earning used in the computation of diluted earnings per share	<u>\$ 1,297,975</u>	<u>\$ 358,430</u>

Number of Shares

Unit: Thousand Shares

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	60,323	57,407
Effect of potentially dilutive ordinary shares		
Convertible bonds	11,972	9,936
Employees' compensation or bonuses issued to employees	<u>78</u>	<u>42</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>72,373</u>	<u>67,385</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, then the Group should assume that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if 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.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it has the necessary financial resources and operating plans to meet the working capital, capital expenditure and debt repayment requirements for the next 12 months, and that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

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

In the management's opinion, the carrying value of financial instruments that are not measured at fair value approximates the fair value of the financial instruments.

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Held for trading	\$ <u> -</u>	\$ <u> 617</u>	\$ <u> -</u>	\$ <u> 617</u>
Financial assets at FVTOCI				
Investments in equity instruments	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 37,234</u>	\$ <u> 37,234</u>
Financial liabilities at FVTPL				
Held for trading	\$ <u> -</u>	\$ <u> 5,270</u>	\$ <u> -</u>	\$ <u> 5,270</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Held for trading	\$ <u> -</u>	\$ <u> 697</u>	\$ <u> -</u>	\$ <u> 697</u>
Financial assets at FVTOCI				
Investments in equity instruments	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 24,055</u>	\$ <u> 24,055</u>
Financial liabilities at FVTPL				
Held for trading	\$ <u> -</u>	\$ <u> 45,971</u>	\$ <u> -</u>	\$ <u> 45,971</u>

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

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

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2022	\$ 24,055
Recognized in other comprehensive income (included in unrealized loss on investments in equity instruments at FVTOCI)	2,834
Purchases	10,000
Effect of exchange rate	<u>345</u>
Balance at December 31, 2022	<u>\$ 37,234</u>

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2021	\$ 25,829
Recognized in other comprehensive income (included in unrealized loss on investments in equity instruments at FVTOCI)	(1,578)
Effect of exchange rate	<u>(196)</u>
Balance at December 31, 2021	<u>\$ 24,055</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Convertible bonds	The convertible bonds are assumed to be redeemed on June 9, 2022 and September 25, 2025 and May 11, 2027, and the discount rate is calculated by the 5-year public bond yield by the differential method.
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

The fair values of unlisted equity securities were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 2,749,111	\$ 1,432,617
Financial assets at FVTOCI		
Equity instruments	37,234	24,055
Financial assets at FVTPL	617	697
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,347,786	1,768,956
Financial liabilities at FVTPL	5,270	45,971

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and accounts receivable, accounts receivable for related parties, other receivables, other current assets (pledged deposits and refundable deposits) and other non-current assets (refundable deposits).
- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, accounts and other payables, bonds issued (including the portion due within one year), guarantee deposit received, current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, debt investments, accounts receivable, borrowings, accounts payable and bonds payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group'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).

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

a) Foreign currency risk

Several subsidiaries have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Notes 7 and 31.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the RMB strengthening 1% against the relevant currency. For a 1% weakening of the RMB 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	
	2022	2021
Profit or loss	\$ 13,186	\$ 2,549

The above impact was mainly attributable to the exposure on outstanding receivables and payables in USD which were not hedged at the end of the reporting period.

In the management's opinion, the sensitivity analysis is not representative of the inherent foreign currency risk because the exposure at the end of the reporting period does not reflect the exposure during the period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Fair value interest rate risk		
Financial assets	\$ 103,117	\$ 302,496
Financial liabilities	141,899	1,134,099
Cash flow interest rate risk		
Financial assets	2,315,539	655,632
Financial liabilities	365,449	318,320

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$19,500 thousand and \$3,373 thousand, which was mainly attributable to the Group's exposure to interest rates of its variable-rate bank deposits and borrowings.

c) Price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year. If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2022 and for the year ended December 31, 2021 would have increased/decreased by \$372 thousand and \$241 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to mitigate credit risk, the management of the Group assigns a team responsible for credit facilities, credit approvals and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables on the date of the financial statements to ensure that receivables that cannot be recovered have been provided with allowance for impairment loss. Accordingly, the management reckons that the credit risk of the Group has been significantly reduced.

Accounts receivable cover a wide range of customers and are spread across different industries and geographic regions. The Company continuously evaluates the financial position of customers.

In addition, since the counterparty of current funds are financial institutions and companies with good credit ratings, the credit risk is limited.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized short-term bank loan facilities as set out in (c) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included 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 reporting period.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 412,489	\$ 133,398	\$ 313,735	\$ -
Variable interest rate liabilities	89,089	153,668	123,072	-
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>95,200</u>	<u>59,000</u>
	<u>\$ 501,578</u>	<u>\$ 287,066</u>	<u>\$ 532,007</u>	<u>\$ 59,000</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 151,552	\$ 44,473	\$ 107,863	\$ 58,557
Variable interest rate liabilities	55,360	55,360	124,560	83,040
Fixed interest rate liabilities	<u>506,746</u>	<u>83,065</u>	<u>19,548</u>	<u>516,960</u>
	<u>\$ 713,658</u>	<u>\$ 182,898</u>	<u>\$ 251,971</u>	<u>\$ 658,557</u>

The amount of the variable interest rate liabilities will vary depending on the floating interest rate and the interest rate estimated on the reporting date.

b) Liquidity risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Gross settled</u>				
Foreign exchange forward contracts Outflow	<u>\$ 14,163</u>	<u>\$ 42,754</u>	<u>\$ 14,287</u>	<u>\$ -</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Gross settled</u>				
Foreign exchange forward contracts Inflow	<u>\$ 7,033</u>	<u>\$ 15,184</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	December 31	
	2022	2021
Unsecured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 89,059	\$ 514,924
Amount unused	<u>613,350</u>	<u>712,561</u>
	<u>\$ 702,409</u>	<u>\$ 1,227,485</u>
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 276,390	\$ 57,532
Amount unused	<u>336,632</u>	<u>832,875</u>
	<u>\$ 643,022</u>	<u>\$ 890,407</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Group and its related parties are disclosed below:

a. Related party and relationship with the Group

<u>Related Party Name</u>	<u>Relationship with the Group and Other Related Parties</u>
Global Filter S.A (GF)	Substantive related party
Tabacalera Hernandarias S.A. (TH)	Substantive related party
Yan Kuangmeihua Supply And Marketing Limited Company (Yankuang Kuangmeihua)	Substantive related party
Yankuang Lunan Chemical Co., Ltd. (Yankuang Lunan Chemical)	Substantive related party (shareholder of a subsidiary)
Wang, Ke-Chang	Key management

b. Operating revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Sales	Substantive related party		
	GF	\$ 167,276	\$ 164,763
	Others	<u>50,357</u>	<u>51,507</u>
		<u>\$ 217,633</u>	<u>\$ 216,270</u>

The selling prices and payment period in related-party transactions were not significantly different from those for transactions with third parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2022	2021
Substantive related party/Yankuang Lunan Chemical	\$ 208,145	\$ 664,746
Substantive related party/Yankuang Kuangmeihua	<u>157,106</u>	<u>-</u>
	<u>\$ 365,251</u>	<u>\$ 664,746</u>

The purchase prices in related-party transactions were not significantly different from those for transactions with third parties.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Accounts receivable	Substantive related party		
	GF	\$ 22,208	\$ 9,463
	TH	<u>12,563</u>	<u>9,126</u>
		<u>\$ 34,771</u>	<u>\$ 18,589</u>

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized on accounts receivable from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other payables	Substantive related party/ Yankuang Lunan Chemical	<u>\$ 28,794</u>	<u>\$ 24,828</u>

The outstanding payables to related parties were unsecured.

f. Prepayments

Related Party Category/Name	December 31	
	2022	2021
Substantive related party/Yankuang Kuangmeihua	\$ 6,492	\$ 6,358
Substantive related party/Yankuang Lunan Chemical	<u>-</u>	<u>30,234</u>
	<u>\$ 6,492</u>	<u>\$ 36,619</u>

g. Refundable deposits (classified as other current assets)

Related Party Category	December 31	
	2022	2021
Substantive related party/Yankuang Lunan Chemical	<u>\$ 441</u>	<u>\$ 434</u>

h. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Manufacturing expense - steam fee	Substantive related party/ Yankuang Lunan Chemical	\$ 289,363	\$ 198,555
Research and development expense - steam fee	Substantive related party/ Yankuang Lunan Chemical	12,434	6,362
Operating expense - rental	Key management	360	360
Operating expense - rental	Substantive related party/ Yankuang Lunan Chemical	<u>321</u>	<u>347</u>
		<u>\$ 302,478</u>	<u>\$ 205,624</u>

The substantive related party provides steam to the Company for use in production and provides rental service.

The key management provides rental service to the Company.

i. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 20,700	\$ 14,063
Post-employment benefits	<u>143</u>	<u>118</u>
	<u>\$ 20,843</u>	<u>\$ 14,181</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, letters of credit, foreign exchange forward contracts and bank's acceptance bills:

	December 31	
	2022	2021
Financial assets at amortized cost	\$ 1,793	\$ 5,154
Pledge deposits (classified as other current assets)	410,105	142,878
Property, plant and equipment, net	42,566	47,418
Right-of-use assets	<u>75,396</u>	<u>77,960</u>
	<u>\$ 529,860</u>	<u>\$ 273,410</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$291,649 thousand and \$207,989 thousand, respectively.

Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Payments for property, plant and equipment	<u>\$ 142,236</u>	<u>\$ 80,642</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>December 31, 2022</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 60,307	6.965 (USD:RMB)	\$ 1,851,466
<u>Financial liabilities</u>			
Monetary items			
USD	19,532	6.965 (USD:RMB)	599,750
<u>December 31, 2021</u>			
<u>Financial assets</u>			
Monetary items			
USD	21,390	6.380 (USD:RMB)	609,632
<u>Financial liabilities</u>			
Monetary items			
USD	12,752	6.380 (USD:RMB)	354,726

The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	<u>For the Year Ended December 31</u>			
	<u>2022</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>2021</u>	<u>Net Foreign Exchange Gains (Losses)</u>
Functional Currency	Exchange Rate		Exchange Rate	
USD	6.7208 (USD:RMB)	\$ 99,381	6.4512 (USD:RMB)	\$ (26,700)
Other	-	<u>(1,214)</u>	-	<u>(1,859)</u>
		<u>\$ 98,167</u>		<u>\$ (28,559)</u>

32. SEPARATELY DISCLOSED ITEMS

- a. Information on significant transactions and investees:
 - 1) Financing provided to others. (Table 1)
 - 2) Endorsements/guarantees provided. (Table 2)
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
 - 4) Marketable securities acquired and 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. (Table 4)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Trading in derivative instruments. (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- b. Information on investees. (Table 8)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

33. SEGMENT INFORMATION

- a. Financial information of the operating segment

Information reported to the chief operating decision maker for resource allocation and assessment of segment performance focuses on the types of goods and services to be delivered. The Group focuses its business mainly on the manufacturing and sales of cellulose acetate products. According to IFRS 8, the Group has organized management and resource allocation in a single department. The operating activities are related to R&D and manufacturing of acetate products, and the operating income of the operating activities accounts for more than 90% of the total revenue.

- b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2022	2021
Cellulose acetate tow	\$ 2,768,261	\$ 1,772,342
Cellulose acetate	1,323,206	904,111
Cellulose anhydride	<u>177,924</u>	<u>38,413</u>
	<u>\$ 4,269,391</u>	<u>\$ 2,714,866</u>

- c. Geographical information

The Group operates in four principal geographical areas - Asia, Africa, America and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2022	2021
Asia	\$ 2,173,156	\$ 1,933,246
Europe	1,466,055	263,419
America	562,156	435,481
Africa	<u>88,024</u>	<u>82,720</u>
	<u>\$ 4,269,391</u>	<u>\$ 2,714,866</u>

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2022	2021
Customer A	<u>\$ 504,755</u>	<u>\$ 164,763</u>

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	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	Aggregate Financing Limit	Note
													Item	Value			
1	My Parents	Acetek Momentum	-	Y	\$ 30,710 (US\$ 1,000 thousand)	-	-	-	Short-term financing	\$ -	Operation turnover	\$ -	-	\$ -	\$ 1,258,460	\$ 1,677,947	Note 3
2	Jinan Acetate Chemical	Acetek Material	-	Y	352,640 (RMB 80,000 thousand)	176,320 (RMB 40,000 thousand)	176,320 (RMB 40,000 thousand)	5.0	Short-term financing	-	Operation turnover	-	-	-	882,321	1,176,428	Notes 3 and 6
3	Jinan Acetate Chemical	Jinan Acetate Chemical Co., Ltd.	-	Y	61,420 (US\$ 2,000 thousand)	61,420 (US\$ 2,000 thousand)	3,030 (US\$ 99 thousand)	1.5	Short-term financing	-	Operation turnover	-	-	-	882,321	1,176,428	Note 3

Note 1: The maximum balance for the period and ending balance represent the amounts approved by the board of directors.

Note 2: For foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, when the funds are used for financing, the total amount shall not exceed 100% of the net worth of the lender. The total amount for lending to a company for funding shall not exceed 30% of the net worth of the Company.

Note 3: For companies with short-term funding needs, the amount for lending to a company shall not exceed 30% of the net worth of the lender. The total amount for lending shall not exceed 40% of the net worth of the Company.

Note 4: The limit on the amount for lending is calculated according to the recent financial statements audited by the Company's independent accountants.

Note 5: Spot buy/sell average exchange rates of Bank of Taiwan on December 31, 2022 are used to estimate the amount in New Taiwan dollar.

Note 6: Jinan Acetate Chemical financing provided to Acetek Material, the actual period of the original loan was from December 3, 2021 to November 22, 2022, the original loan had no active balance. Because the board of directors was held earlier on November 8, 2022, which resulted in the double counting of the fund credit and the maximum balance, but the actual limit was not exceeded.

Note 7: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	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	Note
		Name	Relationship (Note 2)											
0	Jinan Acetate Chemical Co., Ltd.	Acetek Momentum	b	\$ 8,762,688	\$ 44,080	\$ 44,080	\$ -	\$ -	1.26	\$ 8,762,688	Y	N	Y	-
		Jinan Acetate Chemical	b	8,762,688	582,235	560,195	80,085	-	16.61	8,762,688	Y	N	Y	-
		Acetek Material	b	1,051,523	132,240	88,160	-	-	3.77	3,505,075	Y	N	Y	Note 4
1	Jinan Acetate Chemical	Jinan Acetate Chemical Co., Ltd.	c	588,214	399,230	399,230	276,390	284,068	13.57	1,470,535	N	Y	N	-
		Acetek Momentum	b	588,214	88,160	-	-	-	3.00	1,470,535	Y	N	Y	-
		Acetek Material	b	588,214	44,080	-	-	-	1.50	1,470,535	Y	N	Y	Note 4

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- "0" for the Company.
- Subsidiaries are numbered from "1"

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

- The Company in relation to business.
- The Company which holds, directly or indirectly, over 50% of the voting shares.
- The Company which holds, directly or indirectly, over 50% of the shares.
- The Company which holds, directly or indirectly, over 90% of the voting shares.
- Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
- Compliance guarantees for the performance of the sales contracts of pre-sold homes within the same industry in accordance with the Consumer Protection Law.

Note 3: The calculation for the amount of endorsement is as follows:

- The total amount of guarantee provided by the Company to any entity whose voting shares are 100% owned, directly and indirectly, shall not exceed two-hundred-and-fifty percent (250%) of the Company's net worth.
- The total amount of guarantee provided by the Company to any individual entity shall not exceed ten percent (30%) of the Company's net worth. Except for the guarantee provided to any entity whose voting shares are 100% owned, the total balance of guarantee shall not exceed the Company's total net worth.
- The total amount of guarantee provided by Jinan Acetate Chemical shall not exceed fifty percent (50%) of its net worth. The total amount of guarantee provided to any individual entity shall not exceed twenty percent (20%) of its net worth.

Note 4: The Company and Jinan Acetate Chemical provide guarantees for Acetek Material. The balance is RMB10,000,000.

Note 5: The Company provided an endorsement guarantee to Jinan Acetate Chemical with a balance of RMB15,000,000, Acetek Material with a balance of RMB15,000,000 and Acetek Momentum with a balance of RMB10,000,000, and the total amount used by the three companies will not exceed RMB15,000,000.

Note 6: The limit on the amount for lending is calculated according to the recent financial statements audited by the Company's independent accountants.

Note 7: Spot buy/sell average exchange rates of Bank of Taiwan on December 31, 2022 are used to estimate the amount in New Taiwan dollar.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Thousands of shares)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	December 31, 2022				Note (Note 4)
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Acetek Chemical	Stock ELEUNG LIMITED	-	Financial assets at fair value through other comprehensive income - non-current	333	\$ 27,234	25	\$ 27,234	-
Jinan Acetate Chemical Co., Ltd.	Stock HOLYARD INTERNATIONAL CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	2,632	10,000	17	10,000	-

Note 1: The marketable securities in this table are stocks, bonds and short-term investments accounted for under of "IFRS 9 Financial Instruments".

Note 2: The parties in the transactions are not significant related parties so the space is empty.

Note 3: Carrying amounts is fair value adjusted for deduction of accumulated impairment loss; otherwise, original carrying amounts at amortized cost after deduction of accumulated impairment loss.

Note 4: Amounts pledged should be noted on the table.

Note 5: The information about subsidiaries, associates and joint ventures is provided in Tables 8 and 9.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Jinan Acetate Chemical	Investment property, land right-of-use assets: Nanguo Village, Cui Zhai Town, Jiyang County (Qingning Industrial Park)	2022/1/15	1999/12/27	\$ 101,128	\$ 388,094	The amount of \$342,875 thousand was collected and the final payment of \$45,219 thousand was recorded as other receivables.	\$ 284,519 (Note 4)	Management Committee of Jinan Start up Area Construction Management Department	-	Mandatory levy by the local government	According to the Law of the People's Republic of China on Land Administration, Urban Real Estate Management Law of the People's Republic of China, Jinan City State-owned Land Reserve Regulations, Provisional Measures for the Management of Compensation for the Assessment and Recovery of State-owned Construction Land Use Rights in Jinan City and Calculated by the Local Government	-

Note 1: If the assets to be disposed of are subject to appraisal, the appraisal result should be stated in the column of "Reference basis for price determination".

Note 2: Paid-in capital refers to the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company in the balance sheet.

Note 3: The date of occurrence of the event shall mean the date of agreement, date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors or a committee established by it, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 4: The gain or loss on disposal was calculated by deducting the exchange loss of \$2,447 thousand.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Notes
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Jinan Acetate Chemical	Acetek Material	Subsidiary	Purchase	\$ 1,321,998	40	Same as those for unrelated parties	No significant difference	No significant difference	\$ -	-	Note 2
Acetek Material	Jinan Acetate Chemical	Parent company	Sales	(1,321,998)	(22)	Same as those for unrelated parties	No significant difference	No significant difference	-	-	Note 3
Jinan Acetate Chemical	Global Filters S.A.	Substantive related party	Sales	(162,276)	(3)	Same as those for unrelated parties	No significant difference	No significant difference	22,208	5.37	-
Acetek Material	Yankuang Lunan Chemical Company	Substantive related party	Purchase	208,145	6	Same as those for unrelated parties	No significant difference	No significant difference	(28,794)	(20.56)	-
Acetek Material	Yankuang Meihua Supply And Marketing Limited Company	Substantive related party	Purchase	157,106	5	Same as those for unrelated parties	No significant difference	No significant difference	-	-	Note 4
Acetek Momentum	Acetek Material	Brother-sister corporation	Sales	(313,557)	(5)	Same as those for unrelated parties	No significant difference	No significant difference	81,190	19.63	-
Acetek Material	Acetek Momentum	Brother-sister corporation	Purchase	313,557	10	Same as those for unrelated parties	No significant difference	No significant difference	(81,190)	(12.70)	-
Acetek Material	Acetek Momentum	Brother-sister corporation	Sales	(105,512)	(3)	Same as those for unrelated parties	No significant difference	No significant difference	112,033	27.09	-
Acetek Momentum	Acetek Material	Brother-sister corporation	Purchase	105,512	6	Same as those for unrelated parties	No significant difference	No significant difference	(112,033)	(17.53)	-

Note 1: Differences in the condition of transactions between related parties and general customers should be noted on the table.

Note 2: The prepayment of \$143,118 thousand; purchase prices have no significant difference from general customers.

Note 3: The advance receipt of \$143,118 thousand; sales prices have no significant difference from general customers.

Note 4: The prepayment of \$10,708 thousand; purchase prices have no significant difference from general customers.

Note 5: Actual capital amount is the actual amount from the parent company, issuer of no par stock or par value stock less than \$10 New Taiwan dollar shall follow the actual capital amount as 20% of transaction amount rule; equity is calculated at 10% of the equity in the parent company's balance sheet.

Note 6: The transactions between the Company and investee companies, except Global Filters S.A., Yankuang Lunan Chemical Company and Yankuang Meihua Supply have been already been eliminated in the preparation of the consolidated financial statements.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2022

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	Note
					Amount	Actions Taken			
My Parents	Jinan Acetate Chemical	Subsidiary	Other receivables \$ 723,542	-	\$ -		\$ -	\$ -	Notes 1 and 2
Jinan Acetate Chemical	Acetek Material	Subsidiary	Other receivables 177,262	-	-		-	-	Notes 1 and 3
Acetek Material	Acetek Momentum	Brother-sister corporation	Account receivables 112,033	1.88	-		11,641	-	Note 1

Note 1: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

Note 2: The Dividend receivable of \$723,542 thousand.

Note 3: The Account Financing of \$176,320 thousand and the Interest receivable of \$942 thousand.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Jinan Acetate Chemical Co., Ltd.	Jinan Acetate Chemical	1	Other non-current liabilities	\$ 52,003	In accordance with mutual contracts	1
1	My Parents	Jinan Acetate Chemical	3	Other non-current liabilities	132,016	In accordance with mutual contracts	2
2	Jinan Acetate Chemical	My Parents	2	Other payables	723,542	In accordance with mutual contracts	13
		Acetek Material	3	Other receivables	177,262	In accordance with mutual contracts	3
		Acetek Material	3	Prepayments	143,118	In accordance with mutual contracts	3
		Acetek Material	3	Sales	70,509	In accordance with mutual contracts	2
		Acetek Material	3	Purchases	1,321,988	In accordance with mutual contracts	31
		Acetek Environmental	3	Prepayments	37,060	In accordance with mutual contracts	1
3	Acetek Material	Acetek Momentum	3	Sales	105,512	In accordance with mutual contracts	1
		Acetek Momentum	3	Accounts receivables	112,033	In accordance with mutual contracts	1
		Acetek Momentum	3	Purchases	313,557	In accordance with mutual contracts	6
		Acetek Momentum	3	Accounts payables	81,190	In accordance with mutual contracts	2

Note 1: Companies are identified by number, as follows:

- a. "0" represents the parent company.
- b. "1" represents the subsidiary.

Note 2: The flow of transactions is as follows:

- a. 1 - from the parent company to the subsidiary.
- b. 2 - from the subsidiary to the parent company.
- c. 3 - between subsidiaries.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: If the account is in the balance sheet, it was calculated by dividing the ending balance by the consolidated total assets; if the account is in the income statement, it was calculated by dividing the interim cumulative balance by the consolidated operating revenue.

Note 4: The important transactions listed accord with the materiality principle of the Company.

Note 5: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
Jinan Acetate Chemical Co., Ltd.	My Parents Living	Hong Kong	Investments	\$ 974,921	\$ 947,921	Note 3	100	\$ 4,194,866	\$ 1,203,867	\$ 1,203,867	-
My Parents	Acetek Chemical	Hong Kong	Investments	39,196	39,196	Note 3	80	22,955	2,633	2,106	-

Note 1: The amount was calculated according to the investee company's financial statement reviewed by accountants and the Company's shareholding ratio.

Note 2: The share of profit or loss among investee companies and the net worth between investor and investee companies under the equity method are all eliminated at the time the consolidated financial statements are prepared.

Note 3: The investee company is limited and has no shares.

Note 4: Information on investments in mainland China, please refer to Table 9.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Jinan Acetate Chemical	Manufacturing and sales of cellulose acetate tow	\$ 403,146 (RMB 94,490 thousand)	c	\$ -	\$ -	\$ -	\$ -	\$ 1,299,416	100	\$ 1,299,416 (Note 2 b (2))	\$ 2,808,831	\$ -	-
Acetek Material	Manufacturing and sales of cellulose acetate	581,452 (RMB 125,000 thousand)	c	-	-	-	-	107,543	80	98,213 (Note 2 b (2))	566,847	-	Note 3
Acetek Momentun	Manufacturing and sales of cellulose anhydride	394,799 (RMB 91,103 thousand)	c	-	-	-	-	35,948	100	35,948 (Note 2 b (2))	430,946	-	-
Acetek Environmental	Manufacturing and sales of cellulose acetate fiber	256,594 (RMB 58,370 thousand)	c	-	-	-	-	70	100	70 (Note 2 b (2))	384,612	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ -	\$ -	\$ -

Note 1: Investment is divided into the following three categories which can be marked:

- Direct investment in mainland China.
- Reinvestment in mainland China companies through the third region (please indicated the third area of investment company).
- Others.

Note 2: The investment income (loss) recognized in current period:

- No investment income (loss) has been recognized due to the investment is still in development stage.
- The investment income (loss) was determined on the following basis:
 - The financial report was audited and certified by an international accounting firm in cooperation with accounting firm in the ROC.
 - The financial statements were audited by the CPA of the parent company in Taiwan.
 - Others.

Note 3: The realized and unrealized profits and losses among the companies were considered.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
BRIGHT PEARL ENTERPRISES LTD.	20,711,845	30.14
MACRIFER TRADING SOCIEDAD ANONIMA	10,359,449	14.74
AMACRON TRADING LIMITED	4,254,515	6.05

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and 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.

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