

Stock Code: 4721



2022 Annual Report

Website for annual report: <http://mops.twse.com.tw>

Website for Mechema: <http://www.mechema.com/>

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股票代號：4721

MECHEMA[®]
INTERNATIONAL GROUP
美琪瑪國際股份有限公司

111 年度 年報

本年報查詢網址
<https://mops.twse.com.tw>

本公司查詢網址
<http://www.mechema.com/>

中華民國 112 年 00 月 00 日 刊印



1. Spokesperson, proxy spokesperson, name, title, phone number, email address

Spokesperson: Tsai Wen-Hsun
Title: Executive Vice President
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E-mail address: leslie@mechema.com
Proxy Spokesperson Yim Man Chi
Title: Vice President of Business Department
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2. Address and telephone number of head office, branch office and factory:

Head Office Address: No. 15, Datong 1st Road, Guan Yin District, Taoyuan City

Tel: (03)4833788

Fax (03)4833799

Factory (1) Address: No. 15, Datong 1st Road, Guan-Yin District, Taoyuan City

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3. Name, address and telephone number of the stock transfer agent:

Name: Horizon Securities Co., Ltd.

Address: 3F, No. 236, Sec. 4, Xinyi Road, Taipei, Taiwan

Tel: (02)23268818

Fax (02)27019156

Web address: <http://www.honsec.com.tw>

4. Most recent CPAs:

Name of Accountant: Certified Public Accountants (CPA)

Name of Firm: Deloitte Touche Tohmatsu Limited (DTTL)

Address 20F, No. 100, Songren Road, Hsinyi District, Taipei, Taiwan

Tel: (02)2725-9988

Web address: <http://www.deloitte.com.tw>

5. Trading venues for overseas securities and access to information on such overseas securities:

The Company currently has no overseas-listed marketable securities

6. Company website : <http://www.mechema.com>

7. The first over-the-counter (foreign emerging stock) market company should also be published: Not applicable

1. For the Board of Directors' list, the nationality and major experience of the independent directors who are domiciled in Taiwan shall be added to the list.

2. Name, title, contact number and e-mail address of the designated domestic agent.

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Chapter 1 Letter to Shareholders

Dear shareholders,

The results of operations for the year ended December 31, 2022 and the outlook for the year 2023 are as follows:

The Company's consolidated operating revenues in 2022 amounted to NT\$5,271,498 thousand, which increased by NT\$1,145,082 thousand, compared with NT\$4,126,416 thousand in 2021, indicating a 28% increase. Consolidated operating income in 2022 was NT\$361,964 thousand, a decrease of NT\$(55,104) thousand by 13% in comparison to NT\$417,068 thousand in 2021. Consolidated net income in 2022 amounted to \$381,325 thousand, showing an increase of \$20,691 thousand by 6% from \$360,634 thousand in 2021. The basic earnings per share was \$5.09 after tax in 2022.

I. Operating results for the year ended December 31, 2022:

(1) Revenues and Earnings:

Unit: NTD thousand

Year	2022	2021 years	Amount of increase (decrease)	Change ratio %
Item	Amount	Amount		
Net operating revenue	5,271,498	4,126,416	1,145,082	28%
Operating costs	4,760,738	3,575,002	1,185,736	33%
Gross profit	510,760	551,414	(40,654)	-7%
Unrealized gain on sales	(6,314)	0	(6,314)	-
Realized gross operating profit	0	5,016	(5,016)	-100%
Operating profit	361,964	417,068	(55,104)	-13%
Non-operating income and expenses	119,306	43,257	76,049	176%
Net income before tax	481,270	460,325	20,945	5%
Income tax expense	99,945	99,691	254	0%
Net income after tax for the period	381,325	360,634	20,691	6%

(2) Budget implementation: None

(3) Analysis of financial income and expenses and profitability:

Unit: %

Item	Year 2022	Year 2021
Debt to assets ratio	40.03	43.5
Long-term capital to fixed assets ratio	415.91	429.33
Mobility Ratio	197.25	182.4
Quick Ratio	127.81	116.68

Return on Assets	15.86	18.19
Return on equity	26.46	28.33
Net yield	7.23	8.74

(4) Research Development Status:

Electric vehicles will generate a large amount of battery waste crisis, and the company's future goal is to reuse and recycle waste batteries to create economic value that will win the industry, customers, society and the environment.

II. Outline of business plan and future development strategy for the year 2023:

(1) Operation Policy:

- Business Development Objectives
 - ① Providing comprehensive solutions to develop a circular economy and enhance added value in the market.
- Business Development Plan
 - ① Emphasis on recycling, improving gross profit, and environmental protection.

(2) Important production and marketing policies:

In view of the expanding demand of the global electric vehicle market supply chain, the business expansion of battery materials, in line with the operational layout of our customers and the Company, is to stabilize the existing market and expand the recycling production line to meet the growing demand of the battery market.

III. Influenced by the external competitive environment, regulatory environment and overall business environment

Against the backdrop of the potential global economic slowdown caused by interest rate hikes in Europe and the U.S., the "siphon effect" of the U.S. dollar has pushed the global economy into recession and affected the layout of enterprises, impacting Taiwan's economy and people's livelihood in many aspects as a result of difficulties in industrial operations.

In the face of inflation, extreme climate events, carbon reduction, and changing global political and economic conditions in the future, which continue to bring great impact on the sustainable operation of enterprises, and under the changing and challenging environment, the company is committed to actively implement ESG to strengthen risk management in order to find new opportunities and sustainable competitiveness for the industry, so as to continue to create a better vision for shareholders.

Sincerely,

Chairman Yim Long-Chai

Chapter 2 Company History

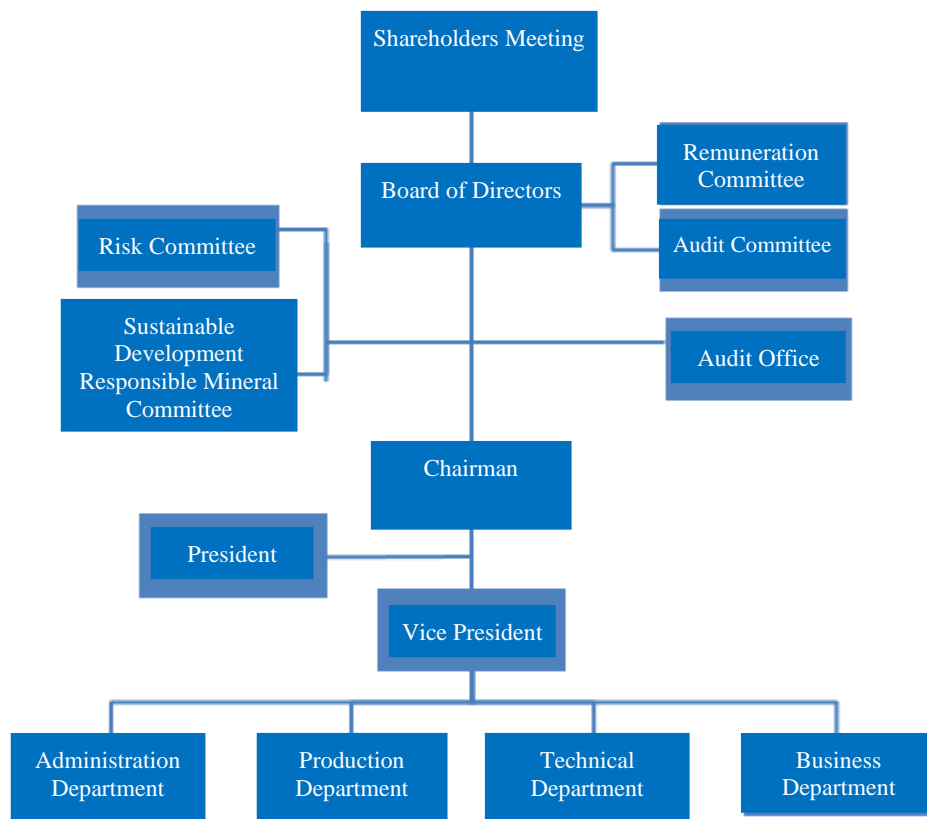
1. Establishment date: June 30, 1992

2. Company History:

1992	Established on March 6, 1992, with a paid-in capital of NT\$30 million
1994	Process improvements for manganese bromide to meet environmental requirements and reduce raw material costs
1995	Increased capital to NT\$70 million in June
1996	Signed contract for constructing a new plant in Taoyuan in April Increased capital to NT\$110 million in September
1997	Moved to 15, Datong 1st Road, Guan-Yin District, Taoyuan City in January to accommodate capacity expansion.
1998	Awarded the "Annual Outstanding Salesperson in Issuing Uniform Invoices" by the Taipei City Tax and Contribution Inspection Office in June. In October, the paid-in capital was increased to \$167,222,830 by transferring surplus to capital and increasing cash capital. In November, the capital reserve was increased to \$196,000,830 .
1999	Cobalt recovery R&D completed in April Investment in Indonesia and Thailand at the end of May In June, the company increased our paid-in capital to NT\$330 million by transferring surplus to capital and increasing cash capital. Transferred investment to Korean subsidiary in December
2000	The research and development of cobalt salts was completed in March and formally mass production Capital increase from surplus to capital and from capital surplus to capital surplus in August, increasing paid-in capital to NT\$390 million
2001	The stock listed on the stock exchange on March 9.
2002	Invested in China and established Mechema (Xiamen). Awarded the "Annual Outstanding Salesperson in Issuing Uniform Invoices" by the Taipei City Revenue Service Office. Capital increase from surplus to paid-in capital of \$440 million in October
2003	Capital increase from surplus to paid-in capital of \$487.5 million in June Purchased a new factory in August for the new product of lithium and cobalt battery - battery material production capacity deployment Passed ISO-9001 2000 quality assurance certification in September Issued \$200 million unsecured convertible bonds in December
2004	In July, the convertible bonds were exchanged for new shares, and the paid-in capital was increased to \$489,317,190 In September, the paid-in capital was increased to NT\$542,517,190 by capitalization of surplus. In October, the convertible bonds were exchanged for new shares and the paid-in capital was increased to NT\$545,707,550.
2005	Convertible bonds were exchanged for new shares from April to September, increasing the paid-in capital to NT\$605,978,520
2006	Capital increase from surplus to paid-in capital of \$619,499,090 in September Investment in the establishment of Mechema Shangyu Company
2007	In September, the paid-in capital was increased to \$637,777,810 by transferring surplus to capital and convertible bonds to new shares.
2008	In January, the convertible bonds were exchanged for new shares and the paid-in capital was increased to \$639,471,310 and \$11,000,000, which was invested in the establishment of Mechema Malaysia Company Capital increase from surplus to paid-in capital of NT\$675,044,870 in September
2009	In August, awarded the "Top 500 Importers and Exporters" by the Ministry of Economic Affairs.
2009	Capital increase from surplus to paid-in capital of NT\$695,296,210 in September
2009	In October, the Chairman was awarded an honorary doctorate from National Taipei University of Technology.
2010	In September, the Company increased its paid-in capital to NT\$723.1 million by transferring capital from surplus.
2010	The Chairman was honored as the excellent businessman of the Republic of China in December, 2010.
2011	In September, the Company increased its paid-in capital to NT\$749,860,000 by transferring capital from its surplus.
2012	The company intends to establish a joint venture with Toda Kogyo Corp.
2012	On July 20, the company invested in Mechema Toda Corporation
2014	Increased capital to invest in Mechema Toda Corporation in May, NT\$50 million
2016	Received the "105th Year Outstanding Salesperson in Issuing Uniform Invoices" award from the National Taxation Bureau of the Northern Area, Ministry of Finance in April

Chapter 3 Corporate Governance Report

1. Company Organization System



Businesses of Each Major Department

Shareholders Meeting	Other powers and functions of the shareholders' meeting shall be exercised in accordance with the Company Law or other laws and regulations.
Board of Directors	In accordance with Article 14-3 of the Securities and Exchange Act, other matters that are required by law or the Articles of Incorporation to be resolved by the shareholders' meeting or by the board of directors, or matters of great importance that are required by the competent authorities.
Remuneration Committee	The Company establishes and regularly reviews the performance evaluation standards, annual and long-term performance goals, and salary and compensation policies, systems, standards and structures for its directors and managers, and discloses the content of the performance evaluation standards in the annual report.
Audit Committee	The Audit Committee has reviewed the financial and other reports of the other directors, the external auditor and the internal auditor of the Company (where there is an internal. The Audit Committee is responsible for the financial and other reporting, internal control, external and internal audit, and other financial and accounting matters as determined by the Board of Directors.
Risk Committee	To advise the Board on the Group's risk appetite, risk profile and tolerance; to monitor the risk management framework to identify and manage. It also establishes a methodology for assessing the value and impact of the Company's assets, calculates and controls large risks, and regularly reviews and formulates preventive measures.
Sustainable Development Responsible Mineral Committee	The main responsibilities are to promote the presumption and promotion of corporate governance, corporate social responsibility, and integrity management. We also review and evaluate the risk management of the company's operation.
Audit Office	Execute company internal control self-assessment + internal audit implementation.
Chairman	Corporate development strategy and management of business plans Organize the implementation of operation + various supervision and inspection
President	Responsible for controlling and coordinating the operation and management of each department, formulating and publishing important company systems, and announcing decisions
Business Department	Responsible for domestic and international sales and procurement business planning and development
Production Department	Responsible for product planning and execution
Technical Department	Set the company's annual new technology development, improvement research, product certification, patent application, and quality assurance system
Administration Department	Responsible for the management, supervision, communication and coordination of the human resources, information, general affairs, accounting and finance divisions.

2. Information on directors, supervisors, presidents, vice presidents, associates, heads of departments, and branches

(1) Directors and Supervisors

April 29, 2023

Title	Nationality or place of incorporation	Name	Gender Age (Note 2)	Date of election (inauguration)	Tenure	Initial Elected Date (Note 3)	Shareholding When Elected		Current holdings		Spouse, minor children current holdings		Use of others' names		Major experience (academic) (Note 4)	Currently holding concurrent positions in the Company and other companies	Other officers, directors or supervisors who are spouses or within two degrees of consanguinity			Remark
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Job Title	Name	Relationships	
Director	R.O.C.	Yim Long-Chai (Note 1)	Male 71-80 years old	2020.06.30	3 years	1999.6.2	8,086,725	10.08%	8,086,725	10.78%	3,618,770	4.83%	—	—	Honorary Doctorate, National Taipei University of Technology	1. Serves as the Chairman and President of the Company 2. Chairman of the Board of Directors of Mechema Toda Corporation 3. Chairman of Taipei Tech Developing Corp. 4. Other company duties: Please refer to Note 1	Director / Supervisor	Yan Wen-Zhi/Yen Kai Yuen	Father-Son	(Note 4)
Director	R.O.C.	Yeh Kuo-Kuang	Male 71-80 years old	2020.06.30	3 years	1999.6.2	400,389	0.53%	386,000	0.51%	35,000	0.046%	—	—	National Chung Hsing University, Law Department	1. To serve as a director of the Company 2. Chairman of Cheng Kee Construction Development Co., Ltd.	None	None	None	
Director	R.O.C.	Yan Wen-Zhi (Note 2)	Male 41-50 years old	2020.06.30	3 years	2011.06.28	591,276	0.79%	591,276	0.79%	None	None	—	—	Long Island University, New York Institute of Corporate Management	1. To serve as a director of the Company 2. Director of Mechema Toda Corporation 3. Other company duties: Please refer to Note 2	Chairman of the Board / Supervisor	Yim Long-Chai/Yen Kai Yuen	Father-Brother	
Director	R.O.C.	Hsu Yuan-Dong	Male 61-70 years old	2020.06.30	3 years	2014.06.26	50,042	0.07%	50,042	0.07%	None	None	—	—	Chihlee University of Technology,	1. The position in the Company: None 2. Director of TZONG YUAN ENTERPRISE CO., LTD. 3. Durachem Enterprise (Thailand) Co., Ltd Representative	None	None	None	
Independent Director	R.O.C.	Wang Gao-Jin	Male 81-90 years old	2020.06.30	3 years	2017.06.26	None	None	None	None	None	None	—	—	Master of Arts in Economics, University of North Dakota, USA	1. Act as the Company: Independent Director 2. Serving as a member of the Compensation Committee of the Company 3. Serves as an independent managing director of Union Bank Of Taiwan	None	None	None	
Independent Director	R.O.C.	Lee Meng-Xiu	Male 61-70 years old	2020.06.30	3 years	2017.06.26	None	None	None	None	None	None	—	—	M.S. in Accounting, National Chengchi University	1. To serve as the Company: Independent Director 2. Serving as a member of the Compensation Committee of the Company 3. Certified Public Accountant, First Elite CPAs 4. Independent Director of China Electric Co. 5. Adjunct Lecturer, Department of Finance and Law, National Chung Cheng University	None	None	None	

																6. Independent Director and Remuneration Committee, Topcc Technologies Corp.				
Independent Director	R.O.C.	Chen Sheng-Yuan	Male 51-60 years old	2020.06.30	3 years	2020.06.30	None	None	None	None	None	None	-	-	Ph.D., Financial Management Group, Business Administration, National Taiwan University	1. National Taipei University of Commerce: Full-time Professor, College of Finance and Economics 2. Ene Technology Inc.: Independent Director and Remuneration Committee 3. Alcor Micro, Corp.: Independent Director and Remuneration Committee	None	None	None	

Note 1: Chairman Yim Long-Chai also serves as the representative of Mechema International Group Thailand, Mechema International Group Indonesia, Mechema International Group Korea, Mechema International Group Malaysia, Catalyst Development Co., Ltd. Representative., Representative of Mechema International Group(Xiamen), Representative of Shaoxing Shangyu Mechema Chemical Co., Ltd.

Note 2: Director Yan Wen-Zhi also holds the following positions: Director of Mechema Thailand, Director of Mechema Indonesia, Director of Mechema Korea, Director of Mechema Malaysia, Director of Mechema Xiamen, and Director of Mechema Korea, Director of Shaoxing Shangyu Mechema Chemical Co., Ltd.

Note 3: There are no interruptions in service.

Note 4: Any experience relevant to the current position, such as having worked for a certified public accountant firm or a related company during the previous reporting period, should include the title of the position and the duties performed.

Note 5: The Chairman also serves as the President of the Company mainly to enhance operational efficiency and to implement policies. The Chairman has been closely communicating with the directors about the operating conditions and future plans so that the Board of Directors has a clearer understanding of the Company's operating conditions. Therefore, this is a reasonable and necessary measure. In addition, in order to implement corporate governance and strengthen the independence of the Board of Directors, training of suitable candidates for the position of President has been actively conducted. The Company's existing specific measures are as follows.

(1) In response to the fact that the chairman of the board of directors and the president of the Company are the same people, the Company has added one new independent director after the 2020 Annual General Shareholders Meeting, and more than half of the directors are not also employees or managers, which is sufficient to strengthen the independence of the board of directors.

(2) The independent directors actively participate in various meetings (shareholders' meeting, board of directors' meeting, remuneration committee, etc.) and fully participate in the discussions and put forward various proposals in the meetings to fulfill the spirit of corporate governance.

2. If the directors and supervisors are representatives of corporate shareholders, they shall state the names of the corporate shareholders and the names of the top ten shareholders of the corporate shareholders and the major shareholders of the corporate shareholders in proportion to their shareholdings.

April 29, 2023

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholders (Note 2)
Chi Yuan Investment Co., Ltd.	Yim Li-Ting 13%

Note 1: If the director or supervisor is a representative of a corporate shareholder, the name of the corporate shareholder should be filled in.

Note 2: Enter the names of the major shareholders (the top ten shareholders) and their shareholding ratios. If the major shareholder is a corporation, the following table 2 should be filled in again.

3. Education and training of directors, independent directors, Audit Committee members, and Remuneration Committee members

Job Title	Name	Training Date	Organizer	Course Name	Training hours
Independent Directors	Chen Sheng-Yuan	2022/8/25	Taipei Exchange	Briefing session for insiders on shareholding of the listed company	3
Independent Director	Chen Sheng-Yuan	2022/12/23	Securities and Futures Institute	Money Laundering Prevention and Counter Terrorism Practice Study	3
Independent Director	Lee Meng-Xiu	2022/12/23	Taiwan Investor Relations Institute	Media communication and crisis management strategies	3
Independent Director	Lee Meng-Xiu	2022/12/23	Taiwan Investor Relations Institute	ESG New Business Models for Sustainability	3

4. Professional Qualifications of Directors and Supervisors and Disclosure of Information on Independence of Independent Directors:

Qualification Name (Note 1)	Have more than five years of work experience and the following professional qualifications			Satisfies independence requirements (Note 2)												Number of independent directors of other public companies
	Lecturer or above from a public or private college or university in business, law, finance, accounting or related disciplines required for corporate business	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examinations required for the company's business	Business, legal, finance, accounting, or corporate business experience	1	2	3	4	5	6	7	8	9	10	11	12	
Yan Longcai	-	-	V						V		V	V		V	V	None
Yip Kwok Kwong	-	-	V	V		V	V	V	V	V	V	V	V	V	V	None
Yim Man Chi	-	-	V					V	V	V	V	V		V	V	None
Yuan-dong Hsu	-	-	V	V		V	V	V	V	V	V	V	V	V	V	None
Wang Gaojin	-	-	V	V	V	V	V	V	V	V	V	V	V	V	V	(1)
Li Mengxiu	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	(2)
Chen Shengyuan	V	-	V	V	V	V	V	V	V	V	V	V	V	V	V	(2)

Note 1: The number of columns is adjusted according to the actual number.

Note 2: For each director or supervisor who has met each of the following conditions two years prior to and during his or her term of office, please enter "✓" in the space below each condition code.

(1) Employees of a non-company or its affiliates.

(2) A person who is not a director or supervisor of the company or its affiliated companies (except in the case where the company and its parent company, subsidiary or subsidiary of the same parent company serve concurrently as independent directors in accordance with this Act or local laws).

(3) A natural person shareholder who does not hold more than 1% of the total issued shares of the Company or the top ten shares in the name of himself/herself, his/her spouse, minor children or others.

(4) Not a president listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).

(5) A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of issued shares of the Company, or who holds the top five shares, or who designates a representative as a director or supervisor of the Company in accordance with Article 27(1) or (2) of the Company Act (except in the case where the Company and its parent company, subsidiary, or subsidiary of the same parent company serve concurrently as independent directors in accordance with this Act or the laws of the local country).

(6) A director, supervisor or employee of another company who is not controlled by the same person as the company's directorship or more than half of the voting shares (except in the case of a concurrent appointment of independent directors of the company or its parent company, subsidiary or subsidiary of the same parent company under the Act or local laws and regulations).

(7) A director, supervisor, or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent of the company (except in the case where the company and its parent company, subsidiary, or subsidiary of the same parent company serve concurrently as independent directors in accordance with the Act or local laws and regulations).

(8) Directors, supervisors, managers or shareholders holding more than 5% of the shares of a specific company or organization that does not have financial or business dealings with the Company (except for a specific company or organization that holds more than 20% but not more than 50% of the total issued shares of the Company and is an independent director of the Company and its parent company, a subsidiary or a subsidiary of the same parent company set up in accordance with this Act or the laws of the local country, who serve concurrently as independent directors).

(9) Professionals, sole proprietors, partners, directors, supervisors, presidents and their spouses who do not provide auditing services for the company or its affiliates or who have received remuneration of less than NT\$500,000 in the last two years, including business, legal, financial, accounting and other related services. However, members of the Compensation Committee, the Public Takeover Review Committee, or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act shall be excluded.

(10) No spouse or relative within two degrees of kinship with other directors.

(11) Not having any of the circumstances described in Article 30 of the Company Act.

(12) Not elected by or on behalf of the government or a corporation as provided in Article 27 of the Company Act.

(2) Presidents, Vice President, Associate, Heads of Departments and Branches

1. Information of President, Vice President, and Associate

April 29, 2023

Title	Nationality	First Name	Gender	Date of election (inauguration)	Shareholding		Shares held by spouse, minor children		Use of others name to hold shares		Major experience (academic) (Note 2)	Currently holding other corporate positions	Other officers, directors or supervisors who are spouses or within two degrees of consanguinity			Remark
					Share Number	Shareholding Ratio	Share Number	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Surname Name	Relationships	
President	R.O.C.	Yim Long-Chai	Male	1999.6.02	8,086,725	10.78%	3,618,770	4.83%	—	—	Honorary Doctorate, Taipei University of Technology	1. To serves as the Chairman and President of the Company 2. Chairman of Mechema Toda Corporation 3. Chairman of Taipei Tech Developing Corp. 4. Other company positions: Please refer to Note 1	Vice President	Yim Man Chi	Father and Son	(Note 3)
Executive Vice President	R.O.C.	Tsai Wen-Hsun	Male	2017.08.11	—	—	—	—	—	—	Drexel University, USA, MS Accounting.	1. To serve as the Executive Vice President of the Company 2. To serve as an independent director of Lanner Electronics Inc.	None	None	None	
Vice President	R.O.C.	Ming-Cheh Hsieh	Male	2009.03.01	29,361	0.039%	-	-	—	—	Department of Chemical Engineering, National Taipei Institute of Technology (Junior College)	1. To serve as a director of Mechema (Xiamen) Co., Ltd. 2. To serve as a director of Shaoxing Shangyu Mechema Chemical Co., Ltd.	None	None	None	
Vice President	R.O.C.	Yan Wen-Zhi	Male	2021.03.18	591,276	0.79%	—	—	—	—	Long Island University, New York Institute of Corporate Management	1. To serve as a director of the Company 2. Director of Mechema Toda Corporation 3. Other company duties: Please refer to Note 2	None	None	None	
Vice President	R.O.C.	He, Ren-Jie	Male	2021.03.18	—	—	—	—	—	—	National Cheng Kung University	1. To serve as the Company's Vice President	None	None	None	

Note 1: Chairman Yim Long-Chai also serves as the representative of Mechema International Group Thailand, Mechema International Group Indonesia, Mechema International Group Korea, Mechema International Group Malaysia, Catalyst Development Co., Ltd. Representative., Representative of Mechema International Group(Xiamen), Representative of Shaoxing Shangyu Mechema Chemical Co., Ltd.

Note 2: For experience related to the current position, if he/she has worked in a certified public accountant firm or a related company during the previous period, he/she should state the title of the position and the duties he/she is responsible for.

Note 3: The Chairman also serves as the President of the Company, mainly to enhance operational efficiency and implement policies. The Chairman has been closely communicating with the Directors about the Company's operations and future plans, enabling the Board of Directors to have a better understanding of the Company's operations, which is therefore reasonable and necessary. The Company's existing specific measures are as follows.

(1) In response to the fact that the Chairman and the President of the Company are the same person, one new independent director was added after the 2020 Annual General Meeting of Shareholders, and more than half of the directors are not also employees or managers, which is sufficient to strengthen the independence of the Board of Directors.

(2) The independent directors actively participate in various meetings (stockholders' meeting, board of directors' meeting, compensation committee, etc.) and fully participate in the discussion of the meetings to put forward various proposals to implement the spirit of corporate governance.

2. Education and training of the Company's Presidents

Job Title	Name	Training Date	Organizer	Course Name	Training hours
Executive Vice President	Tsai Wen-Hsun	20220824	Accounting Research and Development Foundation	Explanation of the Concept of ISSB S1 Standard "General Disclosure of Sustainability-Related Financial Information"	3
Executive Vice President	Tsai Wen-Hsun	20220830	ditto	Explanation of the concept of "Disclosure of climate-related information" of ISSB S2 standard	3
Executive Vice President	Tsai Wen-Hsun	20220913	ditto	TCFD Report: Get the Highlights	3
Executive Vice President	Tsai Wen-Hsun	20220825	Taipei Exchange	Briefing session for insiders on shareholding in OTC and emerging stock company	3
Executive Vice President	Tsai Wen-Hsun	20221128 20221129	Accounting Research and Development Foundation	Continuing Education Course for Accounting Supervisors of Issuing Securities Firms and Stock Exchanges	12
Audit Supervisor	Huang Rui-Xiang	20221205	ditto	Common deficiencies in the preparation of financial reports and compliance with internal audit and internal control laws	6
Audit Supervisor	Huang Rui-Xiang	20221228	ditto	Explanation of the common deficiencies of internal control regulations in financial report review	6

(3) Remuneration paid to directors, supervisors, presidents, and vice presidents in the most recent year:

1. Remuneration for general and independent directors

Job Title		Name	Director Remuneration								Total amount of items A, B, C and D and their proportion to net income after tax (Note 10)		Part-time employees receive related compensation								Total amount of A, B, C, D, E, F and G and their proportion to net income after tax (Note 10)		Receipt of remuneration from businesses other than subsidiaries or parent companies (Note 11)
			Compensation(A)		Retirement Pension(B)		Director Remuneration(C)(Note3)		Business execution expenses(D)(Note4)				Salaries, bonuses and special expenses (E) (Note 5)		Retirement pension(F)		Employee Compensation(G) (Note6)						
			(Note2)																				
			The Company	All companies in the financial statements (Note7)	The Company	All companies in the financial statements (Note7)	The Company	All companies in the financial statements (Note7)	The Company	All companies in the financial statements (Note7)	The Company	All companies in the financial statements	The Company	All companies in the financial statements (Note7)	The Company	All companies in the financial statements	The Company		All companies in the financial statements (Note7)		The Company	All companies in the financial statements	
Director	Chairman	Yim Long-Chai	0	0	83	83	800	800	480	480	0.34%	0.34%	3,342	13,914	83	83	0	0	300	0	1.31%	5.15%	0
	Director	Yeh Kuo-Kuang																					
	Director	Yan Wen-Zhi																					
	Director	Hsu Yuan-Dong																					
Independent Director	Independent Director	Wang Gao-Jin	0	0	0	0	1,080	1,080	720	720	0.47%	0.47%	0	0	0	0	0	0	0	0	0.47%	0.47%	0
	Independent Director	Lee Meng-Xiu																					
	Independent Director	Chen Sheng-Yuan																					

Please describe the policy, system, standards and structure for the remuneration of independent directors, and the relevance to the amount of remuneration based on the responsibilities, risks and time commitment. The Company's policy and system for the remuneration of independent directors is based on the general level of the industry and the time commitment.

2. In addition to the above table, the remuneration received by the directors of the Company for services rendered in the most recent year (such as serving as consultants to non-employees of the parent company/financial reporting company/investment business, etc.): None

Compensation Scale

Levels of remuneration payable to each of the Company's directors and independent directors	Name of Director			
	The first four total fees (A+B+C+D)		First seven total fees (A+B+C+D+E+F+G)	
	The Company(Note 8)	All companies in the financial statements (Note 9) H	The Company(Note 8)	All companies in the financial statements (Note 9)I
Less than NT\$1,000,000	Yim Long-Chai; Yeh Kuo-Kuang; Yan Wen-Zhi; Hsu Yuan-Dong; Wang Gao-Jin; Lee Meng-Xiu; Chen Sheng-Yuan		Yeh Kuo-Kuang; Hsu Yuan-Dong; Wang Gao-Jin; Lee Meng-Xiu; Chen Sheng-Yuan	
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (exclusive)	-		-	
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (exclusive)	-		-	
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (exclusive)	-		-	
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (exclusive)	-		Yim Long-Chai; Yim, Yan Wen-Zhi	
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (exclusive)	-		-	
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (exclusive)	-		-	
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (exclusive)	-		-	
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (exclusive)	-		-	
NT\$100,000,000 or more	-		-	
Total	7 persons in total	7 persons in total	7 persons in total	7 persons in total

President and Vice President Compensation Scale

Remuneration level for each president and vice president of the Company	Name of President and Vice President	
	The Company(Note 6)	All companies in the financial statements (Note 7)
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Yim Long-Chai	
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Yan Wen-Zhi; Tsai Wen-Hsun; Ming-Cheh Hsieh; He, Ren-Jie	Ming-Cheh Hsieh; He, Ren-Jie
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	Tsai Wen-Hsun
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	-	Yim Long-Chai; Yan Wen-Zhi
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 or more	-	-
Total	5 persons in total	5 persons in total

3. Remuneration for president and Vice President (aggregated to match the level of disclosure of names)

Job Title	Name	Salary(A) (Note 2)		Retirement Pension (B) (Note 1-2)		Bonus and Extraordinary expenses, etc. (C) (Note 3)		Amount of employee compensation (D)				Total amount of items A, B, C and D and percentage of net income after tax (%)		Receive remuneration from businesses other than subsidiaries
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Yim Long-Chai	8,466	13,837	375	375	2,930	8,479	990	0	990	0	3.35%	6.21%	0
Executive Vice President	Tsai Wen-Hsun													
Vice President	Ming-Cheh Hsieh													
Vice President	Yan Wen-Zhi													
Vice President	He, Ren-Jie													

4. Name of presidents and distribution of employee's remuneration

December 31, 2022 Unit: NTD thousand

	Job title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Total and percentage of net income after tax (%)
President	President	Yim Long-Chai	0	990	990	0.26%
	Executive Vice President	Tsai Wen-Hsun				
	Vice President	Ming-Cheh Hsieh				
	Vice President	Yan Wen-Zhi				
	Vice President	He, Ren-Jie				

- (4) An analysis of the total compensation paid to the Company's directors, supervisors, presidents and vice president as a percentage of net income after tax for the most recent two years, and a description of the policy, criteria and mix of compensation payments, the process for setting compensation, and the relevance of operating performance and future risks, for the Company and all consolidated companies, respectively:

Unit: NTD thousand

Annual Identity	2022				2021			
	Total remuneration		Total to net income after tax (%)		Total remuneration		Total to net income after tax (%)	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Director	4,142	16,805	1.08 %	4.4%	4,204	16,799	1.17 %	4.66 %
Independent Director	1,080	1,080	0.28 %	0.28%	910	910	0.25%	0.25%
President and Vice President	11,395	23,315	2.99 %	6.11%	10,092	23,319	2.8%	6.47 %

3 Corporate governance operation situation

(1) Operation of the Board of Directors

The 11th Board of directors met four times in 2022, and the attendance of directors and supervisors was as follows:

Job Title	Name	Actual number of seats B	Attendance by proxy	Actual attendance rate (%) [B/A]	Remark
Chairman	Yim Long-Chai	4	0	100	-
Director	Yeh Kuo-Kuang	4	0	100	-
Director	Yan Wen-Zhi	4	0	100	-
Director	Hsu Yuan-Dong	4	0	100	-
Independent Director	Wang Gao-Jin	4	0	100	-
Independent Director	Lee Meng-Xiu	4	0	100	-
Independent Director	Chen Sheng-Yuan	4	0	100	-

Other items to be recorded:

1. If the operation of the board of directors' meeting is one of the following, the date, period, content of the motion, and opinions of all independent directors shall be stated and the following is the Company's handling of the views of the independent directors:

- (1) Matters listed in Article 14-3 of the Securities and Exchange Act: (Details of important resolutions of the Board of Directors)
- (2) Other than the above mentioned matters, any other matters resolved by the Board of Directors with the objection or reservation of the independent directors and recorded or stated in writing.

(Details of the significant resolutions of the Audit Committee on page 18)

2. In the case of recusal of a director from the implementation of an interest motion, the name of the director, the content of the motion, the reasons for recusal and the circumstances of participation in voting should be stated: None

Date of Board Meeting	Name of Director	Motion Content	Reasons for Interest Avoidance	Voting Participation
None	None	None	None	None

3. The listed company shall disclose the periodicity and duration, scope, manner and content of the evaluation of the self- (or peer) evaluation by the board of directors. In addition, the following table 2-2 shall be completed. (detailed in the table below).

(1) The implementation of the Board of Directors' evaluation and the evaluation of the performance of the Board of Directors and the results of the directors' self-evaluation and the evaluation of the performance of the functional committees for the year 2022:

Result:

Serial Number	Evaluation Method	Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Content	Evaluation Results	Remark
1	Self-evaluation by the Board of Directors	Performed once a year	Jan. 1, 2022 to Dec. 31, 2022	Overall Board of Directors	The overall evaluation of the Board of Directors includes the following five major aspects: 1. Involvement in the Company's operations 2. Board's quality of decision-making 3. Composition and structure of the board of directors 4. Selection and Continuing Education of Directors 5. Internal Control	Board of Directors' performance evaluation result: average score of 3 or more, self-evaluation result of "medium"	
2	Self-assessment by individual directors	Performed once a year	Jan. 1, 2022 to Dec. 31, 2022	Individual Directors Chairman Yim Long-Chai Director Yeh Kuo-Kuang Director Yan Wen-Zhi Director Hsu Yuan-Dong Independent Director Wang	The self-evaluation of the performance of the board members includes the following six aspects: 1. Mastery of the company's objectives and tasks 2. Directors' awareness of their duties and responsibilities 3. Involvement in the Company's operation 4. Internal relationship	Performance evaluation results of board members: average score of 4 or above, self-evaluation result of "excellent" and recommendation	

				Gao-Jin Independent Director Lee Meng-Xiu Independent Director Chen Sheng-Yuan	management and communication Directors' 5. Professionalism and continuing training 6. Internal control		
3	Functional Committee Self- Assessment	Performed once a year	Jan. 1, 2022 to Dec. 31, 2022	Independent Director Wang Gao-Jin Independent Director Lee Meng-Xiu Independent Director Chen Sheng-Yuan	The following six aspects are included in the self- assessment of functional members: 1. Involvement in the company's operation 2. Awareness of functional committee members' responsibilities 3. Enhancement of the quality of functional committee decision making 4. Composition of functional committee members and selection of members 5. Internal control	Board member performance evaluation result: 5 out of 5, self- evaluation result is "superb" with recommendation offered	
<p>4. The Company has established an audit committee to enhance the transparency of information and to evaluate the performance of the Board of Directors. In accordance with the "Regulations Governing the Meetings of the Board of Directors of Public Companies", the Company has established the "Regulations Governing the Meetings of the Board of Directors of Public Companies" to be followed, which meets at least once a quarter and is responsible for the proper presentation of the Company's financial statements, the selection, independence and performance of the certified public accountants, the effective implementation of the Company's internal controls, the Company's compliance with relevant laws and regulations, and the control of the Company's existing or potential risks. In order to encourage directors to pursue further education, the Company arranges for directors to attend external courses every year, which not only meets the requirements for the number of hours of study for directors, but also achieves better interactive benefits.</p>							

(2) Status of the Audit Committee:**Audit Committee Status**

(1) First term of office: June 30, 2020, to June 29, 2023.

(2) The most recent annual and audit committee meetings were held four times (A), and the qualifications and attendance of the members were as follows

Job Title	Name	Actual attendance B	Attendance by proxy	Actual attendance rate (%) [B/A]	Remark
Convener	Lee Meng-Xiu	4	0	100	-
Members	Wang Gao-Jin	4	0	100	-
Members	Chen Sheng-Yuan	4	0	100	-

Other items to be recorded:

1. If the Audit Committee operates under any of the following circumstances, it shall state the date and period of the Audit Committee meeting, the content of the motion, the content of the objections, reservations or major recommendations of the independent directors, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions.

(1) Matters listed in Article 14-5 of the Securities and Exchange Act: Details of the operation of the Audit Committee

(2) Except for the foregoing, other matters not approved by the Audit Committee and approved by two-thirds or more of all directors: None

2. In the event of recusal of an independent director from the implementation of an interest motion, the name of the independent director, the content of the motion, the reasons for recusal and the circumstances of participation in voting should be stated: None

3. Communication between the independent directors, internal auditors and accountants (including the major issues, methods and results of communication regarding the Company's financial and business conditions).

(3) Communication between the independent director and the supervisor of internal audit:

Term-Time Date	Communication	Resolution Result
1st - 9th 2022.3.17	Internal Audit Report: For the fourth quarter of 2021, the internal audit situation and reporting operations are described, and the audit items include: financing cycle + R&D cycle + property, plant and equipment cycle + compliance with laws and regulations + investment cycle + tracking report	All Audit Committee members present have no further comments to submit to the Chairman's Report
1 st - 10th 2022.5.6	Internal Audit Report: For the fourth quarter of 2022, the internal audit situation and reporting operations are described, and the audit items include: investment cycle + personnel salary cycle + financing cycle	All Audit Committee members present have no further comments to submit to the Chairman's Report
11th - 11th 2022.08.08	Internal Audit Report: The internal audit situation and reporting operations for the second quarter of 2011, audit items include: accounting cycle + purchasing cycle + financing cycle + sales cycle + investment cycle Independent Director Chen asked: reminded that "derivative operations" need to be audited monthly.	Wen-Hsun Tsai replied: Yes, although the company is not engaged in "derivative products", but will still perform monthly audits. Mr. Chen asked: Reminded that the "derivative operation" needs to be audited monthly. Wen-Hsun Tsai replied: Yes, although the company is not engaged in "derivative products", but will still perform monthly audits.

(4) Communication between independent directors and accountants.

Term-Time Date	Communication	Communication Results
1st - 8th 2022.5.6	Approved the assessment of the independence of the certified public accountant	Mr. Chen asked: The independence of the certified public accountant is not a problem, but in order to implement corporate governance, should the assessment of the "suitability" of the certified public accountant be increased? I can provide the relevant evaluation form for reference. Chairman Lee asked: What is the accountant's opinion? Accountant Shi replied: Accountants can provide relevant "suitability" information for the company's evaluation. Tsai Wen-Hsun responded: The Company will evaluate the "independence" and "suitability" based on the relevant information provided by the members and the accountant. Chairman relied: The above evaluation will be conducted in the following year.
1st - 9th 2022.8.8	Self-Prepared Financial Progress Report	Mr. Chen asked: What are the reasons for the increase in inventory, prepayments and liabilities for the current period? Tsai Wen-Hsun replied: The revenue increased by 95% in the current period, so the related accounts also increased accordingly. Chairman Lee asked: Could the accountant please provide more information? Accountant Chiu replied: The cumulative translation adjustment is based on the change in the exchange rate of the New Taiwan dollar to all subsidiaries, and the Company has made the adjustment in accordance with the regulations.
1st - 9th 2022.8.8	Greenhouse gas inventory and verification schedule report.	Mr. Wang asked: Does the foreign subsidiary have a schedule set by the local government? Tsai Wen-Hsun replied: There is no similar requirement for foreign subsidiaries, and the schedule is based on the schedule arranged by the parent company in Taiwan. Chairman Lee asked: Is it difficult for the accountants to audit foreign subsidiaries? Accountant Chiu replied: The business of the foreign subsidiary is the same as that of the parent company, so it can be applied as a whole without much difficulty.

(5) Important resolutions of the most recent annual and audit committee.

Term-Time Date	Important Resolutions	Opinions of the Independent Directors and the Company's Handling of the Opinions of the Independent Directors	Audit Committee Resolution Results
1st - 7th 2022.3.17	Self-Prepared Financial Progress Report	Chairman Lee asked: What is the current situation of the company's self-prepared financial reports? Tsai Wen-Hsun replied: In addition to the 4 major tables reported to the Audit Committee today, the company is currently focusing on the disclosure of the notes to enhance the part. In addition to the assistance of the accountant, the company will also consider the purchase of additional software assistance.	The motion was passed with no objection after the Chairman consulted all members present.
1st - 7th 2022.3.17	The Company's 2021 annual report of operations, individual financial statements and consolidated financial statements	Chairman Lee asked: Would you please give us your opinion on the financial statements? The accountants Chiu responded: The accountants issued an "unqualified opinion" on the financial statements for 2021. In response to the increase in revenue and raw material prices, accounts receivable and inventory both grew significantly, but the turnover rate of accounts receivable and inventory did not change significantly, indicating that they were normal; the amount of borrowings also increased in response to the growth in revenue; the cash flow statement also showed an increase in operating cash outflow due to the increase in the above-mentioned assets, but the company	The motion was passed with no objection after the Chairman consulted all members present.

		<p>responded to the fund-raising activities, resulting in an increase in cash balance at the end of the period.</p> <p>Chairman Lee asked: What is the change in the net worth of the "Mechema Toda" of the reinvestment company?</p> <p>Tsai Wen-Hsun replied: The difference in net value was due to the retention of the preferred stock dividends in previous years.</p> <p>Accountant Chiu replied: Another reason is the "affiliate transaction", the company cannot recognize the unsold goods of Mechema Toda, so the net value is adjusted.</p>	
1st - 7th 2022.3.17	Statement of Internal Control System" in 2021	<p>Member Wang asked: We need to pay attention to the annual adjustment of "Statement of Internal Control System".</p> <p>Tsai Wen-Hsun replied: The amendment has been made as reminded by the member.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 7th 2022.3.17	Preparation of the Company's 2021 Annual Earnings Distribution	<p>Chairman Lee asked: The company has the option to provide dividend payment, what is the proposal of the company?</p> <p>Tsai Wen-Hsun replied: The Company has maintained a high dividend policy over the years, so we propose to pay a cash dividend of \$3.80.</p> <p>Chairman Lee asked: What do the members think?</p> <p>Member Chen replied: We agree that the Company should maintain a high dividend policy.</p> <p>Member Wang replied: Agree that the company maintains a high dividend policy.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 7th 2022.3.17	Proposed amendments to the Company's "Rules of Procedure for General Meetings	<p>Member Wang asked: The proposed amendment of Note 1 "to meet the operational requirements" to "the requirements of the shareholders' meeting video".</p> <p>Wen-Hsun Tsai replied: The amendment has been made as suggested by the member.</p> <p>Member Chen asked: If a video shareholders' meeting is held, how should shareholders cast and count their votes?</p> <p>Wen-Hsun Tsai replied: The meeting should be held through the platform set up by the CPS.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 7th 2022.3.17	Proposed amendment to the Company's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 7th 2022.3.17	Proposed amendment to the Company's Articles of Incorporation	<p>Member Wang asked: It is proposed to amend Note 1 "to meet the operational needs" to "the needs of the shareholders' meeting video".</p> <p>Wen-Hsun Tsai replied: The amendment has been made as suggested by the member.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 7th 2022.3.17	Our 2021 Annual "Modern Slavery Policy and its Statement	<p>Member Wang asked: The word "grade" in "positive" battery material should be a typo.</p> <p>Wen-Hsun Tsai replied: The word</p>	The motion was passed with no objection after the Chairman consulted all members present.

		“grade” has been revised to “positive” battery material as suggested by the member.	
1st - 7th 2022.3.17	Proposed Amendments to the Company's Code of Corporate Governance Practices	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 8th 2022.5.6	Self-Prepared Financial Progress Report	<p>Member Chen asked: The Company's accounts receivable and inventory have increased significantly this period, resulting in an outflow of operating cash. What is the company's solution?</p> <p>Tsai Wen-Hsun replied: The significant increase in accounts receivable and inventory reflects a 98% increase in revenue for the current period. The utilization rate of the company's bank facilities has not yet reached 50%, and it is expected that new financing lines of USD 8 million will be added, which means that the company's cash utilization is in no danger.</p> <p>Member Chen asked: Is the self-prepared income statement comparable to two periods or better than the previous quarter?</p> <p>Chairman Lee asked: What is the accountant's opinion?</p> <p>Accountant Chiu replied: It is recommended that the Company's self-prepared financial statements should be comparable to two periods or more relevant than the previous quarter. The Company will follow the recommendation to present the self-prepared financial statements as a two-period comparison.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 8th 2022.5.6	Adoption of the Company's 1Q 2022 Consolidated Financial Statements	<p>Chairman Lee asked: What is the accountant's explanation of the financial statements for the current period?</p> <p>Accountant Chiu replied: This is a “reviewed” quarterly report period, as explained above, there are no significant exceptions.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 8th 2022.5.6	Approved the independent evaluation of the CPAs	<p>Member Chen asked: The independence of the company's certified public accountant is not a problem, but in order to implement corporate governance, should the “suitability” assessment of the certified public accountant be increased? I can provide the relevant evaluation form for references.</p> <p>Chairman Lee asked: What is the accountant's opinion?</p> <p>Accountant Shi replied: Accountants can provide relevant “suitability” information for the company's evaluation. The Company will evaluate the “independence” and “suitability” based on the relevant information provided by the members and the accountant.</p> <p>Chairman replied: The above evaluation will be conducted in the following year.</p>	The motion was passed with no objection after the Chairman consulted all members present.
1st - 8th 2022.5.6	Approved amendments to the Company's "Rules of Procedure for Shareholders' Meetings	<p>Chairman Li asked: Would the Company please explain the reasons for this amendment?</p> <p>Tsai Wen-Hsun explained: This amendment is following the rules</p>	The motion was passed with no objection after the Chairman consulted all members present.

		approved by the last board of directors' meeting, and then adding the additions to Articles 8, 9 and 11 in accordance with the latest amendments by the competent authorities regarding the "video" shareholders' meeting.	
1st - 9th 2022.8.8	Self-Prepared Financial Progress Report	Mr. Chen asked: What are the reasons for the increase in inventory, prepayments and liabilities for the current period? Tsai Wen-Hsun replied: The revenue increased by 95% in the current period, so the related accounts also increased accordingly. Chairman Lee asked: Could the accountant please provide more information? Accountant Chiu replied: The cumulative translation adjustment is based on the change in the exchange rate of the New Taiwan dollar to all subsidiaries, and the Company has made the adjustment in accordance with the regulations.	
1st - 9th 2022.8.8	Directors' and Supervisors' Liability Insurance Report	Member Chen asked: Are the amounts and rates the same as in previous years? Wen-Hsun Tsai replied: Yes, they are the same.	
1st - 9th 2022.8.8	Greenhouse gas inventory and verification schedule report.	Member Wang asked: Does the foreign subsidiary have a schedule set by the local government? Tsai Wen-Hsun replied: There is no similar requirement for foreign subsidiaries, and the schedule is based on the schedule arranged by the parent company in Taiwan. Chairman Lee asked: Is it difficult for the accountants to audit foreign subsidiaries? Account Chiu: The business of the foreign subsidiary is the same as that of the parent company, so it can be applied as a whole without much difficulty.	
1st - 9th 2022.8.8	Consolidated Financial Statements for the Second Quarter of 2021	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Significant Financial Reports	Accounting software has been purchased to assist in the self-preparation of financial statements, and no changes to internal controls have been required. Member Chen asked: What is the progress of the implementation? Tsai Wen-Hsun replied: The first course was held in October and the second course in November, during which the existing reports will be cross-referenced with the software to ensure accuracy. Chairman Lee asked: Will the current shortfall be completed as scheduled? Tsai Wen-Hsun replied: We will complete it as scheduled, and will ask the accountant to provide assistance.	
1st - 10th 2022.11.4	Consolidated Financial Statements for third quarter in 2021	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Internal audit plan for the year 2023	None	The motion was passed with no objection after the Chairman consulted all members present.

1st - 10th 2022.11.4	Capital loan and subsidiary-Shaoxing Shangyu Mechema International Group	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Capital Loan and Subsidiaries-Mechema International Group (Xiamen)	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Capital Loan and Subsidiary - Mechema International Group Malaysia	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Dead Sea Bromine Company Ltd. signed a group supply contract	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Revision of the Company's "Organizational Rules of the Sustainable Development Committee" to "Organizational Rules of the Sustainable Development and Responsible Minerals Committee	Commissioner Wang asked: What is "responsible mining"? Tsai Wen-Hsun replied: Our company's main raw materials are cobalt, nickel and other metals. In order to avoid moral controversies about the source of metals, such as child labor, hand mining and other inhumane acts, ESG and customers will ask the company to be responsible for the source of metals.	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Establishing the Company's "Procedures for Handling Material Internal Information	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Establishing the Company's "Code of Practice on Risk Management	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 10th 2022.11.4	Amendments to the Company's "Rules of Procedure of the Board of Directors	Member Wang asked: It is suggested that the next time the company rules are changed by law, there should be a relevant letter for reference. Tsai Wen-Hsun replied: Thank you, Mr. Wang, for the suggestion and we will follow it.	The motion was passed with no objection after the Chairman consulted all members present.
1st - 11th 2023.3.22	Self-Prepared Financial Progress Report	Chairman Lee asked: Does the financial report prepare itself with the assistance of an accountant? Tsai Wen-Hsun replied: We will use the merger software to complete the progress, and we will ask the accountant to provide assistance if we have any questions. Member Chen asked: Has the merger software been implemented? Tsai Wen-Hsun replied: The merger software has been purchased and is being gradually implemented.	The motion was passed with no objection after the Chairman consulted all members present.
1st - 11th 2023.3.22	Greenhouse gas inventory and verification schedule report	Chairman Lee asked: Will the inventory and confirmation of the subsidiaries be completed on schedule? Tsai Wen-Hsun replied: The subsidiary will be completed on schedule as planned. Member Chen asked: How to assist the subsidiaries? Tsai Wen-Hsun replied: The head office will format the required information and provide it to the subsidiaries to fill in.	The motion was passed with no objection after the Chairman consulted all members present.
1st - 11th 2023.3.22	Approved the 2022 annual report of operations, individual financial	None	The motion was passed with no objection after the Chairman consulted all members present.

	statements and consolidated financial statements		
1st - 11th 2023.3.22	Approved the "Statement of Internal Control System" for the year 2022	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 11th 2023.3.22	Approved the distribution of the Company's 2022 annual earnings	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 11th 2023.3.22	Approved the 2022 annual "Modern Slavery Policy and Statement	None	The motion was passed with no objection after the Chairman consulted all members present.
1st - 12th May 11, 2023	Consolidated Financial Statements for the First Quarter of 2023	Independent Director Wang asked: What is the latest status of PowerFund? Tsai Wen-Hsun replied: Today (5/11) morning, we received a reply from the liquidators that they have received the "Certificate of Indebtedness" issued by the company on 2023.04.24, and will continue to track the subsequent development. Independent director Chen asked: the reason for the loss of this quarter? Tsai Wen-Hsun replied: Mainly due to the decline in metal prices and loss from reinvestment. Chairman Lee asked: We have been asked the reason of loss for this quarter. Tsai Wen-Hsun replied: Yes, the loss of inventory decline caused the gross margin to be revised downward.	The motion was passed with no objection after the Chairman consulted all members present.
1st - 12th May 11, 2023	Evaluation of the Independence and Competence of the Company's Certified Public Accountants		The motion was passed with no objection after the Chairman consulted all members present.
1st - 12th May 11, 2023	Proposed Establishment of General Principles for the Company's Pre-Approved Non-Confirmation Service Policy		The motion was passed with no objection after the Chairman consulted all members present.
1st - 12th May 11, 2023	Appointment and Removal of Corporate Governance Executives		The motion was passed with no objection after the Chairman consulted all members present.

(3) The operation of corporate governance and the differences between it and the code of practice on governance of listed companies and the reasons therefor

Evaluation Items	Operating conditions (Note 1)		Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y e s	N o	
1. Has the Company formulated and disclosed the Code of Corporate Governance Practices in accordance with the Code of Corporate Governance Practices for listed companies?	V		The Company has established a code of corporate governance, but the Company operates in accordance with the relevant provisions of the "Code of Corporate Governance Practices for Listed Companies". No significant differences
2. Shareholding structure and shareholders' equity of the Company	V		(1) The Company has established a spokesperson system and a person to handle shareholders' suggestions or disputes. No significant differences
(1) Has the Company established internal operating procedures to handle shareholders' proposals, questions, disputes, litigation matters, and implemented them in accordance with the procedures?	V		(2) The Company maintains a list of major shareholders and ultimate controllers of substantial shareholders who effectively control the Company and places it on the website. No significant differences
(2) Does the Company have a list of the major shareholders and ultimate controllers of the major shareholders who effectively control the Company?	V		(3) We have established and implemented a risk control and firewall mechanism with our affiliated companies to ensure that all rights and responsibilities are clearer and more transparent, and we will follow the implementation of these rules. No significant differences
(3) Has the company established and implemented a risk control and firewall mechanism with its affiliated companies?	V		(4) The company's internal regulations are set and implemented in accordance with the FSC. No significant differences
(4) Does the company have internal regulations that prohibit insiders from trading marketable securities using unpublished information in the market?			
3. Composition and duties of the Board of Directors	V		(1) The members of the Board of Directors are elected by the shareholders through statutory procedures and the nomination of one additional independent director was approved by the Board of Directors on March 27, 2020. No significant differences
(1) Has the Board of Directors formulated a diversity policy on the composition of the Board and implemented it?	V		(2) The Company has established a Compensation Committee in accordance with the law and operates in accordance with the organizational procedures of the Compensation Committee. Board of Directors approved the establishment of the Audit Committee on March 27, 2020. The Board of Directors approved the establishment of the Risk Committee on November 6, 2020. No significant differences
(2) Does the Company voluntarily set up various functional committees other than the Compensation Committee and Audit Committee in accordance with the law?	V		(3) The Company has elected 3 directors and 4 independent directors to perform their duties. Their performance was evaluated in accordance with the Rules. No significant differences
(3) Has the Company established a method for evaluating the performance of the Board of Directors and its evaluation method, conducts performance evaluation annually and periodically, and submits the results of performance evaluation to the Board of Directors for reference of individual director's salary compensation and nomination for reappointment?	V		(4) The Company evaluates the independence and suitability of the CPAs at least once a year, focusing on the size and reputation of the accounting firm, the nature and extent of non-audit services provided, the audit fee, the availability of regular training, and the interaction with management and the internal auditors. Later, submit the results to the Board of Directors for consideration and approval. The Company has evaluated that both accountants meet the Company's independence evaluation standards and are qualified to serve as the Company's certified public accountants. The results of the two most recent evaluations were completed on May 11, 2023 (Note3) and May 6, 2022, respectively. No significant differences
(4) Does the Company regularly assess the independence of the CPAs?			
4. Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board and shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?	V		The responsible unit for corporate governance is the Audit Committee and the Administration Department is responsible for corporate governance-related matters in accordance with the law. No significant differences
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), set up a stakeholder area on the Company's website, and responded appropriately to important CSR issues of concern to stakeholders?	V		We have set up a stakeholder area and an investor area on our website, and we regularly compile sustainability reports. No significant differences
6. Does the company appoint a professional shareholding	V		The share representative appointed Horizon Securities Co., Ltd. No significant

Evaluation Items	Operating conditions (Note 1)			Differences from the Code of Corporate Governance Practices of listed companies and the reasons for such differences
	Y e s	N o	Abstract Description	
agent to conduct the shareholders' meeting?				differences
<p>7. Information Disclosure</p> <p>(1) Does the company have a website to disclose financial operations and corporate governance information?</p> <p>(2) Whether the company has adopted other means of information disclosure (such as setting up an English website, designating a person responsible for the collection and disclosure of company information, implementing a spokesperson system, placing the company's website during the corporate presentation, etc.)</p> <p>(3) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarterly financial reports and monthly operations well in advance of the required deadline?</p>	V		<p>(1) The Company has set up a website and disclosed information related to financial operations and corporate governance</p> <p>(2) The Company has designated a person responsible for the collection and disclosure of corporate information and has implemented a spokesperson system in accordance with the regulations.</p> <p>(3) The Company announces and reports its annual financial statements within two months after the end of the fiscal year. The Company also announces and reports its financial statements for the first, second and third quarters and its operations for each month well in advance of the prescribed deadline.</p>	<p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p>
8. Is there any other important information that can help readers understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor education, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the company's purchase of liability insurance for directors and supervisors)?		V	Disclosure of important corporate governance information on the Company's website, annual reports, sustainability reports, and the Public Information Observation Post System	No significant differences
9. Please describe the improvements that have been made to the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures to enhance those that have not yet been improved. (Not required for companies not included in the evaluation)	V		The Company has cooperated with the competent authority for the corporate governance self-assessment report. The competent authority has notified the results of the evaluation of the corporate governance self-assessment report.	No significant differences

(4) Operation of the Compensation Committee.

1. Compensation Committee Member Information

Identity (Note 1)	Qualification Name	Have more than five years of work experience and the following professional qualifications			Independence (Note 2)										Number of member s of other public compan ies' compen sation committ ees	R e m a r k
		Lecturer or above in business, law, finance, accounting or related materials required for company business in public or private college or university	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed national examinations required for the company's business	Experience in business, legal, finance, accounting, or corporate business	1	2	3	4	5	6	7	8	9	10		
Independ ent Director	Wang Gao-Jin			v	v	v	v	v	v	v	v	v	v	v	None	
Independ ent Director	Lee Meng-Xiu	v	v	v	v	v	v	v	v	v	v	v	v	v	1	
Independ ent Director	Chen Sheng-Yuan	v		v	v	v	v	v	v	v	v	v	v	v	2	

Professional qualifications.

1. Convenor Wang Gao-Jin: Graduated from North Dakota State University, USA - Master of Economics, with the ability to expand overseas markets and banking business, former Vice President of Bank of Taiwan and Chairman of Kaohsiung Bank.

2. Lee Meng-Xiu, Director of First Elite CPAs, is also a part-time lecturer at the Department of Finance and Law of National Chung Cheng University.

3 Chen Sheng-Yuan: Ph.D. in Financial Management, Graduate School of Business, National Taiwan University, currently a professor in the College of Finance and Economics, National Taipei University of Commerce.

2. Information on the operation of the Compensation Committee

The Compensation Committee was established on December 29, 2011 and consists of three members who meet at least twice a year. The Compensation Committee evaluates and determines the compensation of directors and managers.

(1) Salary and Compensation Committee Members and Qualifications

Title	First Name	Academic Qualifications
Convener	Wang Gao-Jin	Master of Arts in Economics, North Dakota State University, USA
Members	Lee Meng-Xiu	M.S. in Accounting, National Chengchi University
Members	Chen Sheng-Yuan	Ph.D., Financial Management Group, Graduate School of Business, National Taiwan University

(2) The term of office of the current (fourth) members: August 10, 2020 to June 29, 2023, 2021 The Compensation Committee met two times (A), and the qualifications and attendance of the members are as follows.

Job Title	Name	1. Actual attendance (B)	2. Number of Attendance by Proxy	3. Actual attendance rate (%) (B/A)	Remark
Convener	Wang Gao-Jin	2	0	100%	
Members	Lee Meng-Xiu	2	0	100%	
Members	Chen Sheng-Yuan	2	0	100%	
Other items to be recorded: 1. If the Board of Directors does not adopt or amend the recommendation of the Compensation Committee, it shall state the date and period of the Board of Directors' meeting, the content of the resolution, the result of the Board of Directors' resolution and the Company's handling of the recommendation of the Compensation Committee (if the compensation approved by the Board of Directors is better than the recommendation of the Compensation Committee, it shall state the difference and the reasons for the difference): None. 2. If a member of the Compensation Committee has objections or reservations and the matter is recorded or stated in writing, the date and period of the Compensation Committee, the content of the motion, the opinions of all members and the treatment of the opinions of the members shall be stated: None.					

(3) Significant resolutions of the Compensation Committee

Compensation Committee	Motion Content	Resolution Result	The Company's handling of the Compensation Committee's opinion
4th - 4th 2022.03.17	Approved the 2021 Annual Remuneration Plan for Directors and Employees by the Compensation Committee of the Company	The committee agreed to approve	The Chairman consulted all members present and passed the motion without objection.
4th - 5th 2022.11.4	Approved 2022 Manager Bonus Payment Principles	The committee agreed to approve	The Chairman consulted all members present and passed the motion without objection.
4th - 5th 2022.11.4	Approved the 2023 annual managerial salary adjustment	The committee agreed to approve	The Chairman consulted all members present and passed the motion without objection.
4th - 5th 2022.11.4	Approved the work plan of the Company's Compensation Committee in 2022	The committee agreed to approve	The Chairman consulted all members present and passed the motion without objection.
4th - 5th 2023.3.22	Approved the 2022 annual remuneration package for directors and employees by the Compensation Committee of the Company	The committee agreed to approve	The Chairman consulted all members present and passed the motion without objection.

3. Information on the operation of the Risk Management Committee.

(1) In order to ensure the integrity of the stable operation, sustainable development and risk management system of the Company, which serves as the basis for various risk management and execution, the establishment of the Risk Management Committee was completed on November 6, 2020. The risk management committee is chaired by the chairman of the board of directors and controls the risks that may arise to a tolerable extent to achieve the goal of rationalizing risk and reward. The report of its operation to the Board of Directors at least once a year is as follows.

Time-Date	Communication	Communication Results
1st - 10th 2022.5.6	Preventive measures against COVID-19 & OMICRON for Chinese New Year holidays	1. The company will distribute two sets of household fast sieving per person before the Chinese New Year Holiday with timing of use and return is explained.
The 1st - 12th 2022.11.4	Adopted the Company's "Code of Risk Management Practices	Approved by the directors present

(2) Risk Management Committee members and qualifications

Job Title	Name	Education
Convener	Yim Long-Chai	Honorary Doctorate, National Taipei University of Technology
Member	Tsai Wen-Hsun	Drexel University, USA, MS Accounting.
Member	Ming-Cheh Hsieh	Taipei Institute of Technology, Taipei Institute of Technology, Department of Chemical Engineering (Junior College)
Member	Yan Wen-Zhi	Institute of Business Management, Long Island University, New York
Member	He, Ren-Jie	National Cheng Kung University
Member	Chen Jian-Zhi	Department of Chemical Engineering, Tatung University

(3) Risk Management Policy

The Company has established a "Risk Management Code of Practice", which was approved by the Board of Directors in 2022, as the Company's highest guiding principle for risk management. The Company evaluates risks on a regular basis each year and formulates risk management policies for each risk, covering mechanisms such as management objectives, organizational structure, attribution of authority and responsibility, risk management procedures, and implements them in order to effectively identify, measure, and control the Company's various risks and keep the risks arising from business activities within acceptable limits. The Company reports its operations to the Board of Directors at least once a year.

(4) Risk management scope

The Company is committed to integrate and manage all potential risks that may affect operations and profits in a proactive and cost-effective manner, such as operational finance and hazards, through the establishment of an enterprise risk management program, with the aim of providing appropriate risk management to all stakeholders in order to risk-bio materialize. We evaluate the frequency of risk occurrence and the severity of impact on the company's operation, define the priority of risk and risk level, and adopt corresponding risk management strategies according to the risk level. The Company's risk management includes management of "strategic risk", "operational risk", "financial risk", "hazard risk", and "risk of climate change and non-compliance with environmental and climate related regulations and other international regulatory agreements".

(5) Risk management operations

The Company has been actively promoting the implementation of risk management mechanism since 2020, and the main operations are as follows.

- 2020 promulgation of the Company's Risk Management Policy.
- Strengthen the implementation of risk management mechanisms and unit supervision in line with globalization policies.
- The operational risk has been included in the mandatory course for new recruits, and each person trained on the day of arrival for about 4 hours a day to strengthen the Awareness and recognition of the company's risk culture.
- Foreign employees are trained in Chinese to enhance their communication skills, and local language labels are posted at the operations.
- Risk Management Committee reports meeting to independent directors

Date	Communication	Communication Results
2022.11.4	Adopted the Company's "Risk Management Code of Practices	Approved by the directors present

(5) Implementation of the promotion of sustainable development and differences from the Code of Practice on Sustainable Development of listed companies and the reasons for them:

Evaluation Items	Operating conditions (Note 1)			Whether the Code of Practice differs from that of listed companies and the reasons for the difference
	Y e s	N o	Abstract Description	
1. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by senior management, and is supervised by the board of directors?	V		There is a Sustainable Development and Responsible Minerals Committee, which is supervised by the Board of Directors.	No significant differences.
2. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and establish relevant risk management policies or strategies?	V		Check out the Sustainability Report and our environmental spending and more.	No significant differences.
3. Environmental Issues (1) Has the company established an appropriate environmental management system according to its industrial characteristics? (2) Is the company committed to improving energy efficiency and using recycled materials that have a low impact on the environment? (3) Has the company assessed the potential risks and opportunities of climate change on the enterprise now and in the future, and taken relevant measures in response? (4) Has the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, water use reduction or other waste management?	V V V V		(1) Review the Sustainability Report, environmental expenditure and environmental management reports. (2) The specific practices are detailed in this report on environmental expenses. (3) Climate change is detailed in this report on environmental expenses. (4) Check the Sustainability Report and see this report for details on environmental expenses.	No significant differences
4. Social Issues (1) Has the company established relevant management policies and procedures in accordance with relevant laws, regulations and international human rights conventions?	V		(1) Management policies and procedures are established in accordance with relevant laws and regulations, with no violation of international human rights conventions and regulations.	No significant differences
(2) Has the company established and implemented reasonable employee benefit measures (including salary, vacation and other benefits, etc.) and appropriately reflected operational performance or results in employee compensation?			(2) Employee benefit measures are established and implemented in accordance with relevant laws, regulations, and operating performance. Results are appropriately reflected in employee compensation.	No significant differences
(3) Does the company provide a safe and healthy working environment for employees and implement regular safety and health education for employees?			(3) The Company establishes work rules in accordance with labor laws and regulations to protect the legal rights and interests of employees, so as to conduct annual health examinations and labor safety training and drills for employees.	No significant differences
(4) Has the company established an effective career development program for employees?			(4) Read the Sustainability Report on employee development.	No significant differences
(5) For products and services of customer health and safety, customer Does the company follow the relevant laws and regulations and international standards on privacy, marketing and labeling, and has a policy and complaint procedure to protect the rights of consumers or customers? Describe the regulatory and international standards that govern each matter, and describe the name, content, and complaint procedures of the consumer or customer protection policy.			(5) We maintain good communication channels with our customers and provide effective customer complaint handling for our products and services, and have established the "Customer Complaint Management Regulations" and "Customer Service Management Regulations" to resolve and handle customer complaints as soon as possible. For more details, please refer to the Sustainability Report, Environmental Expenses and Environmental Management Reports. (Read the Sustainability Report and the Environmental Expense Report for details.)	No significant differences
(6) Does the company have a supplier management policy that requires suppliers to follow relevant regulations on			Only suppliers that meet the relevant environmental regulations for sustainable	No significant differences

Evaluation Items	Operating conditions (Note 1)			Whether the Code of Practice differs from that of listed companies and the reasons for the difference
	Y e s	N o	Abstract Description	
environmental protection, occupational safety, health or labor human rights, and the status of implementation?			production and establish supplier management practices. (For details, please read the Sustainability Report and the Environmental Expenses for details.)	
5. Does the company make reference to internationally accepted standards or guidelines for the preparation of reports, such as perpetual reports, that disclose non-financial information about the company? Has the report been verified or guaranteed by a third party?	V		The 2022 Sustainability Report is certified by Ernst & Young and the standard cited is the GRI Standards.	No significant differences
6. If the company has its own code of conduct for sustainable development in accordance with the "Code of Practice for Sustainable Development of Listed Companies", please describe the differences between its operation and the code:		V	The Company has established the "Code of Conduct for Sustainable Development" in accordance with the "Code of Conduct for Sustainable Development of Listed Companies" which has been followed by the Company and there has been no discrepancy so far.	No significant differences
7. Other important information to help understand the implementation of sustainable development:	V V V		(1) The Company has set up a website and disclosed information related to financial operations and corporate governance (2) The Company has designated a person responsible for the collection and disclosure of corporate information and has implemented a spokesperson system in accordance with the regulations. (3) The Company shall announce and report its annual financial statements within two months after the end of the fiscal year in accordance with the regulations, and shall announce and report its first, second and third quarterly financial statements and monthly operations well in advance of the prescribed deadline.	No significant differences

(6) Compliance with the Code of Integrity and Discrepancies with the Code of Integrity of Listed Companies and Reasons

	Operating conditions (Note 1)			Differences from the Code of Integrity of Listed Companies and Reasons
	Yes	No	Abstract Description	
<p>I. Establish integrity management policies and programs</p> <p>(1) Has the company established an honest management policy approved by the board of directors, and has the policy and practice of integrity management been stated in the bylaws and external documents, as well as the commitment of the board of directors and the senior management to actively implement the management policy?</p> <p>(2) Has the company established a mechanism for assessing the risk of dishonest acts, regularly analyzed and evaluated the business activities within the scope of business that have a higher risk of dishonest acts, and formulated a plan to prevent dishonest acts based on such a plan, which at least covers the preventive measures for the acts mentioned in paragraph 2 of Article 7 of the "Code of Integrity for Listed Companies"?</p> <p>(3) Is the company's program to prevent dishonest behavior clearly defined in the operating procedures, behavior guidelines, disciplinary and complaint system for non-compliance enforced, with regular review and revision of the previously disclosed program?</p>	V		<p>(1) The Company has established a code of ethical conduct and related rules and regulations, as well as a system of rewards and punishments, such as a code of ethical conduct for directors, supervisors and managers, and a code of ethical conduct for employees, the management team. All employees are committed to a business philosophy of honesty and pragmatism.</p> <p>(2) The Company has established procedures to prevent dishonest conduct and guidelines for preventive measures in the Code of Integrity.</p> <p>(3) The Company has established a precautionary program in the Code of Integrity Management, which is promoted at each monthly meeting.</p>	The Company has established the subprinciples as the basis, and will gradually establish complete regulations depending on the operation of the Company.
<p>2. The implementation of integrity management</p> <p>(1) Does the company evaluate the integrity records of its counterparties and specify the integrity terms in the signed contracts?</p> <p>(2) Has the company set up a special unit under the board of directors to promote integrity of corporate management, and report regularly (at least once a year) to the board of directors on its policies on integrity management and plans to prevent dishonest practices and monitor their implementation?</p> <p>(3) Does the company have a policy to prevent conflict of interest, provide appropriate channels for presentation, and implement it?</p> <p>(4) Has the company established an effective accounting system and internal control system for the implementation of integrity management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of dishonest acts, followed by checking the compliance of the dishonest act prevention plan, or has the company appointed an accountant to perform the audit?</p> <p>(5) Does the company regularly conduct internal and external education and training on integrity management?</p>	V	V	<p>(1) The company will evaluate the credit history of the clients.</p> <p>(2) The Company's Board of Directors' meeting on March 27, 2020 approved that the Administration Department is the dedicated unit for the promotion of corporate integrity management and reports regularly to the Board of Directors on its integrity management policies, which plans to prevent dishonest acts and monitor their implementation. The Company also promotes insider trading regulations at monthly meetings and board of directors' meetings.</p> <p>(3) The Company's Board of Directors meeting on March 27, 2020 has approved, and at each meeting, the Company has promoted the policy of preventing conflict of interest under the relevant laws and regulations, provided appropriate presentation channels in the Code of Integrity, with full implementation.</p> <p>(4) The Company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit has prepared an audit plan based on the assessment results of the risk of dishonest acts, followed by checking the compliance of the dishonest act prevention plan accordingly. In addition, the internal audit unit has regularly checked and appointed an accountant to perform the audit.</p> <p>(5) Internal and external education and training are held regularly. We also disclose the information in the annual report.</p>	No significant differences
<p>3. The operation of the corporate reporting system</p> <p>(1) Has the company established a specific reporting and reward system, set up a channel to facilitate reporting, as well as assigned appropriate staff to receive reports on the subject?</p> <p>(2) Has the company established standard operating procedures for the investigation of whistleblowing cases, follow-up measures to be taken after the completion of the investigation and the relevant confidentiality mechanism?</p> <p>(3) Does the company take measures to protect the</p>	V	V	<p>(1) The Company has a whistleblower window and suggestion box, and implements the principle of confidentiality for whistleblowers, with specification of the reward for whistleblowing and the penalty for violation of the regulations.</p> <p>(2) Anyone who finds a suspected incident of misconduct or violation of this Code has the obligation to report it to the management. If any violation of governmental regulations or fraud is found, it should be reported to the supervisor, manager, internal</p>	No significant differences

	Operating conditions (Note 1)			Differences from the Code of Integrity of Listed Companies and Reasons
	Yes	No	Abstract Description	
whistleblower from improper disposal as a result of the whistleblowing?	V		auditor or other appropriate personnel by email or in writing. (3) The Company will provide the whistleblower with comprehensive protection measures to ensure the quality of the investigation and to avoid unfair retaliation or treatment of the whistleblower.	
4. Strengthen the disclosure of information Does the company disclose the content and effectiveness of its Code of Integrity on its website and on the Market Observation Post System?	V		(1) The Company has set up an investment area on its website and disclosed the contents and measures of the Code of Integrity on the Market Observation Post System.	No significant differences
5. If the Company has its own code integrity management in accordance with the "Code of Integrity for Listed Companies", please describe the differences between its operation and the code: No. The Company conducts corporate governance in accordance with the Company Law and relevant regulations of the FSC Securities and Futures Bureau, and has covered the main principles of governance.				
6. Other important information to help understand the integrity of the company's operations: (such as the company's review of the revision of its code of conduct for integrity management): None				

Note 1: The operation status should be stated in the summary description field regardless of whether "Yes" or "No" is checked.

(7) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods:

Although the Company has established a corporate governance code, the overall operation of the Company follows the relevant provisions of the "Code of Corporate Governance Practices for Listed Companies" and has set up a corporate governance section on the Company's website to disclose our corporate governance. For information on the Company's website:

<http://www.mechema.com/20844214962783529702.html>

(8) Other important information that may be disclosed to enhance understanding of corporate governance operations:

1. Internal Material Information Handling and Prevention of Insider Trading Management Procedures
2. Code of Integrity
3. Code of Ethical Conduct for Directors and Presidents
4. Employee Code of Ethical Conduct

For more details, please refer to our website:

<http://www.mechema.com/20844214962783529702.html>

(9) The Status of the Internal Control System:

1. Statement of Internal Control

Mechema International Group
Statement of Internal Control System

Date: March 22, 2023

Based on the results of the self-assessment, the Company's internal control system for the year ended December 31, 2022, is stated as follows:

1. The Company recognizes that it is the responsibility of the Board of Directors and the Presidents to establish, implement and maintain an internal control system, and that the Company has established such a system. The purpose of the system aims to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations.

2. No matter how well designed, an effective internal control system can only provide reasonable assurance that the above three objectives will be achieved; moreover, due to changes in circumstances and conditions, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism and once deficiencies are identified, the Company will take corrective action.

3. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the judgment items of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The judgment items of the internal control system adopted in the "Regulations" are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component includes a number of items. Please refer to the "Regulations" for the aforementioned items.

4. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.

5. Based on the results of the preceding evaluation, the Company believes that the design and implementation of the Company's internal control system (including supervision and management of subsidiaries) as of December 31, 2022, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, and the reporting of such internal control system is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective, and that it can reasonably ensure The Company's internal control system is designed and implemented in a manner that reasonably ensures the achievement of the above objectives.

6. This statement will become the main content of the Company's annual report and public statement and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

7. This statement was approved by the Board of Directors at its meeting held on March 22, 2023, and among the six directors present, none of them held any opposing views and all of them agreed to the contents of this statement.

Mechema International Group

Chairman:

President:

2. If an accountant is engaged to review the internal control system, the accountant's review report should be disclosed: None.

- (10) For the most recent year and as of the date of the annual report, if the Company and its internal personnel have been punished by law, or if the Company has punished its internal personnel for violating the provisions of the internal control system, or if the result of the punishment may have a significant impact on shareholders' equity or the price of securities, the content of the punishment, major deficiencies and improvements should be listed: None
- (11) The significant resolutions of the shareholders' meeting and the board of directors for the most recent year and up to the date of printing of the annual report are as follows.

Important resolutions at the 2022 Annual General Shareholders Meeting:

Meeting date: 2022.06.22

2022 Annual Shareholders' Meeting Important Resolution:	Subject	Important Resolutions	Results of the shareholders' meeting	Enforcement
2. Matters of Ratification	First proposal	The 2021 Annual Report on Operations and Financial Statements of the Company are hereby approved.	RESOLVED: That the resolution be approved by the poll as originally proposed. The voting results are as follows: Total voting rights of shareholders present at the time of voting were 41,677,157 (including 782,561 voting rights exercised electronically) 41,595,283 votes in favor (including 700,692 votes exercised electronically) 20,328 votes against (of which 20,328 votes were exercised electronically) Number of abstentions/non-votes 61,546 votes exercised electronically 61,541 votes)	Execution
2. Matters of Ratification	Second proposal	The proposed distribution of earnings for 2021 is hereby approved.	RESOLVED: The proposal was approved by the original poll. The voting results were as follows: Total voting rights of shareholders present at the time of voting were 41,677,157 (of which 782,561 votes were exercised electronically) 41,594,429 votes in favor (of which 699,838 votes were exercised electronically) 22,184 votes against (of which 22,184 votes were cast electronically) 60,544 abstentions/non-voting rights (60,539 electronic voting rights)	Implementation of the proposal is as follows: 1. The distribution of cash dividends has been approved by the shareholders' meeting on June 22, 2022, with NT\$3.8 per share, totaling NT\$284,947,955, and the board of directors has approved July 11, 2022 as the base date for dividend distribution. 2. The cash dividend payment date was set on August 2, 2022, appointing the stock agent of Horizon Securities Corp. in the form of a cash dividend payment.
3. Matters for Discussion	First proposal	Proposed amendment to the Company's Articles of Incorporation	RESOLVED: That the resolution be approved by way of poll as originally proposed. The voting results were as follows: Total voting rights of shareholders present at the time of voting were 41,677,157 (of which 782,561 votes were exercised electronically) 41,594,305 votes in favor (of which 699,714 votes were exercised electronically) 19,210 votes against (of which 19,210 votes were exercised electronically) Number of abstentions/non-voting rights 63,642 electronic voting rights 63,637)	Implemented as follows
3. Matters for Discussion	Second proposal	Proposed amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company	RESOLVED: That the resolution be approved by way of poll as originally proposed. The voting results were as follows: Total voting rights of shareholders present at the time of voting were 41,677,157 (of which 782,561 votes were exercised electronically) 41,590,299 votes in favor (of which 695,708 votes were exercised electronically) 20,212 votes against (of which 20,212 votes were cast electronically) Number of abstentions/non-voting rights 66,646 Electronic voting rights 66,641)	Implemented as follows
3. Matters for Discussion	Third proposal	Proposed amendment to the "Rules of Procedure for Shareholders' Meetings" of the Company.	RESOLVED: That the resolution be approved by way of poll as originally proposed The voting results were as follows: Total voting rights of shareholders present at the time of voting were 41,677,157 (of which 782,561 votes were exercised electronically) 41,592,302 votes in favor (of which 697,711 votes were exercised electronically) 21,216 votes against (of which 21,216 votes were exercised electronically) Number of abstentions/non-voting rights 63,639 rights (63,634 rights exercised electronically)	Implemented as follows

At the 111th Annual General Meeting of Shareholders, the attendance of the Directors' live link was as follows:

Job Title	Name	Actual attendance	Attendance by proxy	Actual attendance rate(%)	Remark
Chairman	Yim Long-Chai	1	0	100	None
Director	Yan Wen-Zhi	1	0	100	None
Director	Yeh Kuo-Kuang	1	0	100	Live-stream
Director	Hsu Yuan-Dong	1	0	100	Live-stream
Director	Wang Gao-Jin	1	0	100	Live-stream
Director	Lee Meng-Xiu	1	0	100	Live-stream
Director	Chen Sheng-Yuan	1	0	100	Live-stream

Note: Please refer to the Market Observation Post System website for the full text of the Company's minutes, manuals and meeting supplements as follows
["http://mops.twse.com.tw"](http://mops.twse.com.tw)

3. Discussion of the implementation of the resolution at the 2022 annual shareholders' meeting.

A. Earnings distribution: Cash dividends to shareholders and compensation to employees were paid in 2022, and the amount paid was the same as the amount resolved in the shareholders' meeting.

B. The Company has carried out the relevant operations in accordance with the amendment to the Regulations of the Shareholders' Meeting.

C. Regarding the resolution of the 2022 Annual General Shareholders Meeting, the Company has actually implemented all of them.

4. Important resolutions of the Board of Directors.

Term-Time Date	Important Resolutions	The matters listed in Article 14-3 of the Securities and Exchange Act	Opinions of the Independent Directors and the Company's Handling of the Opinions of the Independent Directors	Results of the Board of Directors' Resolutions
11th - 9th 2022.3.17	Adoption of the Company's 2021 Annual Report of Operations, individual financial statements and consolidated financial statements	V	Director Li asked: Is there any change in the current trend of batteries? Chairman replied: The company mainly provides raw materials for "ternary batteries", which are used for middle and high end electric vehicles, while lithium iron phosphate is used for lower end electric vehicles.	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved the 2021 annual "Statement of Internal Control System" of the Company	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved the distribution of the Company's 2021 annual earnings	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved amendments to the Company's "Rules of Procedure for Shareholders' Meetings	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	By amending the Company's "Procedures for the Acquisition or Disposal of Assets	V	None	Approved by vote of the Directors present

11th - 9th 2022.3.17	Approved the amendment to the Company's Articles of Incorporation	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved the proposal to convene the 2022 Annual General Meeting of Shareholders of the Company	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Renewal and addition of financing lines through financial institutions	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved the 2021 Annual Remuneration Plan for Directors and Employees by the Compensation Committee	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved the 2021 annual "Modern Slavery Policy and Statement".	V	None	Approved by vote of the Directors present
11th - 9th 2022.3.17	Approved the amendment of the Company's "Code of Corporate Governance Practices"	V	None	Approved by vote of the Directors present
11th - 10th 2022.5.6	Adoption of the Company's Q1 Consolidated Financial Statements in 2022	V	None	Approved by vote of the Directors present
11th - 10th 2022.5.6	Approved the independent evaluation of the CPAs	V	None	Approved by vote of the Directors present
11th - 10th 2022.5.6	Amendments to the Company's "Rules of Procedure for General Shareholders' Meetings"	V	None	Approved by vote of the Directors present
11th - 11th 2022.08.08	Internal audit report.	V	None	Approved by vote of the Directors present
11th - 11th 2022.08.08	Self-prepared financial progress reports.	V	None	Approved by vote of the Directors present
11th - 11th 2022.08.08	Risk Management Meeting Report.	V	None	Approved by vote of the Directors present
11th - 11th 2022.08.08	Information Security Report.	V	None	Approved by vote of the Directors present
11th - 11th 2022.08.08	Approved the Company's consolidated financial statements for the second quarter of 2022	V	None	Approved by vote of the Directors present
11th - 11th 2022.08.08	Proposed establishment of the Company's "Organizational Procedures for the Sustainability Committee"	V	None	Independent director Wang asked: This committee is the same as the Risk Management Committee, and it is suggested that the directors of the company should be the members. Tsai Wen-Hsun replied: At present, this committee is not a "functional committee" as stipulated in the Securities and Exchange Act, so the committee members will be arranged according to the actual needs of the company. Independent director Lee asked: As long as the company follows the regulations and adjusts them at any time, it will be effective. Chairman replied: We will allow outside professionals to participate in a timely manner according to the company's needs and the regulations of the competent authorities.
11th-12th 2022.11.4	Adoption of the Company's 3Q Consolidated Financial Statements in 2022	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Adoption of the Company's 2022 Annual Manager's Bonus Payment Principles	V	None	Approved by vote of the Directors present

11th-12th 2022.11.4	Approved the 2023 annual salary adjustment for managers	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Approved the work plan of the Company's Compensation Committee in 2023	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Approved the audit schedule for the 2023 annual internal audit	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Through a capital loan to a subsidiary - Shaoxing Shangyu Meiqima Chemical Co., Ltd.	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Through a capital loan to a subsidiary, Mechema International Group (Xiamen)	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Lending of funds to subsidiaries through, Mechema International Group Malaysia	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Signed a group supply contract through Dead Sea Bromine Company Ltd.	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Adoption of revised organizational procedures for the Committee on Sustainable Development and Responsible Minerals	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Approved the establishment of the "Procedures for Handling Material Internal Information" of the Company	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Adopted the Company's "Code of Risk Management Practices	V	None	Approved by vote of the Directors present
11th-12th 2022.11.4	Approved the amendment of the "Rules of Procedure for the Board of Directors"	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Approved the 2022 annual report of operations, individual financial statements and consolidated financial statements	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Approved the "Statement of Internal Control System" for 2022	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Approved the distribution of the Company's 2022 annual earnings	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Approved the 2022 Annual Remuneration Plan for Directors and Employees by the Compensation Committee	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Approval of the seven positions (including four independent directors) for the twelfth session of the Board of Directors of the Company and acceptance of director nomination period and premises	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Approved the proposal to convene the 2023 Annual General Shareholders Meeting	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Through the 2022 annual "Modern Slavery Policy and Statement	V	None	Approved by vote of the Directors present
11th-13th 2023.3.22	Through the disposal of foreign funds Power Fund	V	None	Approved by vote of the Directors present
11th-14th 2023.5.11	Approved the Company's consolidated financial statements for the first quarter of 2023	V	None	Approved by vote of the Directors present
11th-14th 2023.5.11	Approved the Evaluation of the Independence and Competence of the Company's Certified Public Accountants	V	None	Approved by vote of the Directors present

11th-14th 2023.5.11	Approved the General Principles for Pre-Approved Non-Confirmation Service Policy of the Company	V	None	Approved by vote of the Directors present
11th-14th 2023.5.11	Approved the nomination of candidates for the 12th term of directors	V	None	Approved by vote of the Directors present
11th-14th 2023.5.11	Approved the proposed removal of the prohibition on competing for the 12th term of directors after the re-election	V	None	Approved by vote of the Directors present
11th-14th 2023.5.11	Approved the appointment and removal of the Corporate Governance Executives	V	None	Approved by vote of the Directors present

- (12) For the most recent year and as of the printing date of the annual report, the directors or supervisors have different opinions on important resolutions of the board of directors and have recorded or stated in writing the following: Details of important resolutions of the board of directors.
- (13) Summary of the resignation and dismissal of the chairman, president, accounting officer, treasurer, internal audit officer, corporate governance officer and research and development officer of the Company for the most recent year and as of the date of the annual report: None

4. Accountant fee information

Unit: NTD thousand

Name of CPA firm	CPA's Name	CPA review period	Audit Fees	Non-audit fees (Note 1:)	Total	Remark
Deloitte Touche Tohmatsu Limited (DTTL)	Shi Jin-Chuan	2022/01/01 - 2022/12/31	3,150	142	3,292	Business Registration Change Fee
	Chiu Yung-Ming	2022/01/01 - 2022/12/31				

Note 1: Non-audit public service content: Business registration change fee

- (2) If the audit fee paid in the year of change of accounting firm is less than the audit fee in the year before the change, the amount of the audit fee before and after the change and the reasons for the change should be disclosed: None.
- (3) If the audit fee is reduced by 10% or more from the previous year, the amount, percentage, and reason for the reduction of the audit fee shall be disclosed: None.

5. Change of Accountant

Information on the change of accountants: In 2021, due to the adjustment of the internal management establishment of the appointed DTTL firm, the certified public accountants were changed from Hsu Chin-Ming to Chiu Yung-Ming, CPA.

6. The chairman, president, or supervisors in charge of financial or accounting matters of the Company, who has worked in the firm of the certified public accountant or its affiliated companies within the last year: None.
7. Changes in the shareholding of directors, supervisors, presidents and shareholders holding more than 10% of the shares and pledges of shares in the most recent year and as of the date of printing of the annual report:

1. Changes in the shareholdings of directors, supervisors, presidents and substantial shareholders and pledges of shareholdings:

Unit: share

Job Title	Name	2022		Apr. 29, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares held	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares held
Chairman and President	Yim Long-Chai (Note 1)	-	-	-	-
Director	Yeh Kuo-Kuang	-	-	-	-
Director	Hsu Yuan-Dong	-	-	-	-
Director	Yan Wen-Zhi	-	-	-	-
Independent Director	Wang Gao-Jin	-	-	-	-
Independent Directors	Lee Meng-Xiu	-	-	-	-
Independent Director	Chen Sheng-Yuan	-	-	-	-
Vice President	Ming-Cheh Hsieh	-	-	-	-
Vice President and Supervisor of Accounting and Finance	Tsai Wen-Hsun	-	-	-	-

Note 1: The number of shares held includes the number of shares in the trust that retains the right to exercise the decision.

2. Information on directors, supervisors, presidents, and substantial shareholders who are related parties: None of the parties to the transfer of shares is a related party.
3. Information on directors, supervisors, managers, and substantial shareholders who are related parties to the pledged shares: None.

8. Information on the relationship between the top 10 shareholders (referring to the top 10 related persons)

April 29, 2023 Unit: share

Name	Shareholding		Shares held by spouse, minor children		Total shareholding in the name of others		The names and relationships of the top ten shareholders who are related to each other under IFRS No. 6 or who are related to each other as spouses, second-degree relatives, etc.		Remark
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationships	
Yim Long-Chai	6,086,725	8.12%	3,641,770	4.86%	—	—	Lee Li-Yu	Spouse	—
			(Note2)				Yan Long-Fa	Brothers	
							Yan Wen-Zhi	Father-son	
Chi Yuan Investment Co., Ltd. Representative Lee Li-Yu	4,548,320	6.07%	—	—	—	—	Yim Long-Chai	Spouse	—
							Yan Wen-Zhi	Mother-son	
Yan Long-Fa	2,600,899	3.47%	2,087,478	2.78%	—	—	Ling Li-Mei	Spouse	—
							Yim Long-Chai	Brothers	
							Yan Wen-Zhi	Father-son	
Ling Li-Mei	2,087,478	2.78%	2,600,899	3.47%	—	—	Yan Long-Fa	Spouse	—
							Yan Wuan-Hong	Mother-son	
Taishin International Commercial Bank Trustee Property Account-Yim Long-Chai	2,000,000	2.67%	—	—	—	—	Lee Li-Yu	Spouse	—
							Yan Long-Fa	Brothers	
							Yan Wen-Zhi	Father-son	
Taishin International Commercial Bank Trustee Property Account-Lee Li-Yu	2,000,000	2.67%	—	—	—	—	Yim Long-Chai	Spouse	—
							Yan Wen-Zhi	Father-son	
Lee Li-Yu	1,641,770	2.19%	8,086,725	10.78%	—	—	Yim Long-Chai	Spouse	—
							Yan Wen-Zhi	Mother-son	
Yan Wen-Zhi	591,276	0.79%	—	—	—	—	Yim Long-Chai	Father-son	—
							Lee Li-Yu	Mother-son	
Tsai Zheng-Liang	531,595	0.71%	—	—	—	—	—	—	—
Yan Wuan-Hong	521,707	0.70%	—	—	—	—	Yan Long-Fa	Father-son	—
							Ling Li-Mei	Mother-son	
							Yan Yong-lie	Sister-brother	

Note 1: Yim Long-Chai 6,086,725 + Trust: 2,000,000 = 8,086,725 shares

Note 2: Lee Li-Yu 1,618,770 + Trust: 2,000,000 = 3,618,770 shares

9. The number of shares held by directors, supervisors, presidents, and companies directly or indirectly controlled by the Company in the same business to be invested in, and the consolidated percentage of shareholding shall be calculated:

Reinvestment Business	The company investment		Directors, supervisors, presidents, and investments in businesses with direct or indirect control		Consolidated Investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Mechema International Group Thailand	310,000	100%	-	-	310,000	100%
Mechema International Group Indonesia	4,000	100%	-	-	4,000	100%
Mechema International Group Korea	876,404	100%	-	-	876,404	100%
Mechema International Group Malaysia	5,000,000	100%	-	-	5,000,000	100%
Catalyst Development Co., Ltd.	8,100,000	100%	-	-	8,100,000	100%
Mechema International Group Chemicals (Xiamen) (Note 1)	-	100%	-	-	-	100%
Shaoxing Shangyu Mechema Chemical International Group	-	100%	-	-	-	100%
Mechema Toda Corporation	15,010,000	50%	-	-	15,010,000	50%

Note 1: The Company is a limited company, so there is no number of shares.

Chapter 4 Capital Raising Status

1. Source of Capital and Shares

(1) Source of the Company's share capital

Year/month	Issue Price	Authorized share capital		Paid-in capital		Remark					
		Number of shares	Amount	Number of shares	Amount	Share Capital Source				Property against shares	Other
						Cash Capital Increase	Surplus Capital Transfers	Capital Transfer	Conversion of corporate bonds to equity		
1992/06	10	3,000,000	30,000,000	3,000,000	30,000,000	30,000,000	-	-	-	None	Note 1
1995/06	10	7,000,000	70,000,000	7,000,000	70,000,000	40,000,000	-	-	-	None	Note 2
1997/09	10	11,000,000	110,000,000	11,000,000	110,000,000	15,760,000	24,240,000	-	-	None	Note 3
1998/10	18	30,000,000	300,000,000	16,722,283	167,222,830	36,000,000	21,222,830	-	-	None	Note 4
1998/11	10	30,000,000	300,000,000	19,602,283	196,022,830	-	-	28,800,000	-	None	Note 5
1999/06	13	40,000,000	400,000,000	33,000,000	330,000,000	100,000,000	33,977,170		-	None	Note 6
2000/08	10	40,000,000	400,000,000	39,000,000	390,000,000	-	37,950,000	22,050,000	-	None	Note 7
2001/10	10	43,000,000	430,000,000	40,872,000	408,720,000	-	10,140,000	8,580,000	-	None	Note 8
2002/9	10	46,000,000	460,000,000	44,000,000	440,000,000	-	31,280,000	-	-	None	Note 9
2003/6	10	55,000,000	550,000,000	48,750,000	487,500,000	-	47,500,000	-	-	None	Note 10
2004/7	10	70,000,000	700,000,000	48,931,719	489,317,190	-	-	-	1,817,190	None	Note 11
2004/9	10	70,000,000	700,000,000	54,251,719	542,517,190	-	53,200,000	-	-	None	Note 12
2004/10	10	70,000,000	700,000,000	54,570,755	545,707,550	-	-	-	3,190,360	None	Note 13
2005/1	10	70,000,000	700,000,000	54,581,872	545,818,720	-	-	-	111,170	None	Note 14
2005/4	10	70,000,000	700,000,000	54,609,665	546,096,650	-	-	-	277,930	None	Note 15
2005/9	10	80,000,000	800,000,000	60,597,852	605,978,520	-	59,881,870	-	-	None	Note 16
2006/9	10	80,000,000	800,000,000	61,949,909	619,499,090	-	13,520,570	-	-	None	Note 17
2007/7	10	86,000,000	860,000,000	61,949,909	619,499,090	-	-	-	-	None	Note 18
2007/9	10	86,000,000	860,000,000	63,777,781	637,777,810	-	13,589,980	-	4,688,740	None	Note 19
2008/1	10	86,000,000	860,000,000	63,943,001	639,430,010	-	-	-	1,652,200	None	Note 20
2008/4	10	86,000,000	860,000,000	63,947,131	639,471,310	-	-	-	41,300	None	Note 21
2008/9	10	86,000,000	860,000,000	67,504,487	675,044,870	-	35,573,560	-	-	None	Note 22
2009/9	10	86,000,000	860,000,000	69,529,621	695,296,210	-	20,251,340	-	-	None	Note 23
2010/10	10	86,000,000	860,000,000	72,310,805	723,108,050	-	27,811,840	-	-	None	Note 24
2011/10	10	86,000,000	860,000,000	74,986,304	749,863,040	-	26,754,990	-	-	None	Note 25

Note 1: The effective date of the capital increase (approval) and the document number is 1992.06.30 by (81) Commercial 112919

Note 2: The effective date of the capital increase (approval) and the document number is 1995.06.29 by (84) Commercial No. 986647

Note 3: The effective date of the capital increase (approval) and the document number is 1997.09.09 by (86) Commercial 117233

Note 4: The effective date of the capital increase (approval) and the document number is 1998.11.20 by (87) Commercial 087136759

Note 5: The effective date of the capital increase (approval) and the document number is 1998.12.11 by (87) Commercial 087140280

Note 6: The effective date of the capital increase (approval) and the document number is 1999.6.22 (88) Taiwan-Financial-Securities-I. No. 54850.

Note 7: The effective date of the capital increase (approval) and the document number is 2000.8.8 (89) Taiwan-Financial-Securities-I. No. 68539.

Note 8: The effective date of the capital increase (approval) and the document number is 2001.8.2 (90) Taiwan-Financial-Securities-I. No. 149672.

Note 9: The effective date of the capital increase (approval) and the document number are 2002.9.16, with the authorization of Commercial No. 09101365050.

Note 10: The effective date of the capital increase (approved) and the document number is 2003.6.26, with the authorization of Commercial No. 0920128288.

Note 11: The effective date of the capital increase (approval) and the document number is 2004.7.30, with the authorization of Commercial No. 09332500590.

Note 12: The effective date of the capital increase (approval) and the document with the authorization of Commercial No. 09301173970 of September 14, 2004.

Note 13: The effective date of the capital increase (approval) and the document number is 2004.10.27, with the authorization of Commercial No. 09301199800.

Note 14: The effective date of the capital increase (approval) and the document number is 2005.1.28, with the authorization of Commercial No. 09401017470.

Note 15: The effective date of the capital increase (approved) and the document number is 2005.4.27, with the authorization of Commercial No. 09401073390.

Note 16: The effective date of the capital increase (approval) and the document number is 2005.9.15, with the authorization of Commercial No. 09401183040.

Note 17: The effective date of the capital increase (approval) and the document number is 2006.9.22, with the authorization of Commercial No. 09501216150.

Note 18: The effective date of the capital increase (approval) and the document number is 2007.7.2, with the authorization of Commercial No. 09601148560.

Note 19: The effective date of the capital increase (approval) and the document number is 2007.9.29, with the authorization of Commercial No. 09601233010.

Note 20: The effective date of the capital increase (approval) and the document number is 2008.1.22, with the authorization of Commercial No. 09701012640.

Note 21: The effective date of the capital increase (approval) and the document number is 2008.4.11, with the authorization of Commercial No. 09701088330.

Note 22: The effective date of the capital increase (approval) and the document number is 2008.9.23, with the authorization of Commercial No. 09701239980.

Note 23: The effective date of the capital increase (approval) and the document number is 2009.9.10, with the authorization of Commercial No. 09801207380.

Note 24: The effective date of the capital increase (approval) and the document number is 2010.10.04, with the authorization of Commercial No. 09901219620.

Note 25: The effective date of the capital increase (approval) and the document number is 2011.9.27, with the authorization of Commercial No. 10001219710.

April 29, 2023

Shares Categories	Authorized Share Capital			Remark
	Outstanding shares	Unissued shares	Total (Note 1)	
Registered common stock	74,986,304 shares	25,013,696 shares	100,000,000 shares	All issued shares are listed shares

Note 1. On June 30, 2020, the Company approved an amendment to increase the total capital by \$1 billion, but the current paid-in capital has not yet reached \$860,000,000 before the amendment. Therefore the Company will wait until the next capital increase exceeds \$860,000,000, and at the same time, it will issue new shares and amend its articles of incorporation.

General information about the reporting system: None.

(2) Shareholder Structure

April 29, 2023

Shareholder Quantity	Government Institution	Financial Institutions	Other legal persons	Individuals	Foreign Organizations and Foreigners	Total
Number of people	0	6	195	39,176	65	39,442
Number of shares held	0	120,619	9,315,459	64,481,578	1,068,648	74,986,304
Shareholding Ratio	0.00%	0.16%	12.42%	85.99%	1.43%	100%

(3) Equity dispersion situation

April 29, 2023

April 29, 2025

Shareholdings Grading			Number of shareholders	Number of shares held	Shareholding ratio%
1	-	999	21,685	921,854	1.23%
1,000	-	5,000	16,257	27,311,439	36.42%
5,001	-	10,000	962	7,590,802	10.12%
10,001	-	15,000	206	2,657,884	3.54%
15,001	-	20,000	130	2,423,139	3.23%
20,001	-	30,000	83	2,172,291	2.90%
30,001	-	40,000	35	1,255,059	1.67%
40,001	-	50,000	22	1,023,729	1.37%
50,001	-	100,000	29	1,958,277	2.61%
100,001	-	200,000	16	2,434,830	3.25%
200,001	-	400,000	4	1,205,985	1.61%
400,001	-	600,000	6	3,128,823	4.17%
600,001	-	800,000	0	0	0.00%
800,001	-	1,000,000	0	0	0.00%
1,000,001	The above are graded according to the actual situation		7	20,902,192	27.87%
Total			39,442	74,986,304	100.00%

(4) List of major shareholders

April 29, 2023

Name of Major Shareholders	Shares	Number of shares held	Shareholding ratio%
Yim Long-Chai		6,086,725	8.12%
Chi Yuan Investment Co., Ltd.		4,508,320	6.01%
Yan Long-Fa		2,600,899	3.47%
Ling Li-Mei		2,087,478	2.78%
Taishin International Commercial Bank was entrusted with the account of Yim Long-Chai		2,000,000	2.67%
Taishin International Commercial Bank was entrusted with the account of Lee Li-Yu		2,000,000	2.67%
Lee Li-Yu		1,618,770	2.16%
Yan Wen-Zhi		591,276	0.79%
Tsai Zheng-Liang		531,595	0.71%
Yan Wuan-Hong		521,707	0.70%

(5) Stock price, net worth, earnings, dividends and related information per share for the last two years

Annual		2021	2022	Current year ended March 31, 2023 (Note 10)
Item		(distributed in 2022 year)	(distributed in 2023 year)	
Price per stock	Highest	184.50	162.50	114.00
(Note 1)	Minimum	50.00	90.00	98.20
	Average	125.19	126.03	106.25
Net value per share	Before distribution	18.42	20.02	14.58
	After distribution	-	-	—
Earnings per share	Weighted average number of shares	-	-	—
	Earnings per share (Note 3)	4.91	5.07	-0.84
Dividend per share	Cash dividends	3.80	4.60	—
	Non-remunerated	-	-	—
	Allotment of shares	-	-	—
	Accumulated unpaid dividends (Note 4)	-	-	—
Investment Compensation	Price-to-Earning Ratio (Note 5)	25.50	24.86	—
Analysis	Principal to profit ratio (Note 6)	32.94	27.40	—
	Cash Dividend Yield(Note 7)	3.04%	3.65%	—

Note 1: The highest and lowest market prices of common stock for each year are listed, and the average market price for each year is calculated based on the value and volume of transactions for each year.

Note 2: Based on the number of shares outstanding at the end of the year and the distribution resolved at the following year's shareholders' meeting.

Note 3: If there is a retroactive adjustment due to a no-compensation stock allotment, etc., the earnings per share before and after the adjustment should be shown.

Note 4: If the conditions of issuance of equity securities provide that dividends unpaid in the current year may be accumulated and paid in the year of earnings, the dividends accumulated and unpaid as of the current year should be disclosed separately.

Note 5: The Price-to-Earning Ratio = average closing price per share for the year/earnings per share.

Note 6: Principal-to-profit ratio = Average closing price per share for the year / Cash dividends per share.

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

Note 8: Net value per share and earnings per share should be presented as of the most recent quarterly period audited (reviewed) by the accountants as of the date of the annual report; the remaining columns should be presented as of the current year as of the date of the annual report.

Note 9: The appropriation of earnings for 2022 has not yet been resolved by the shareholders, so the figures after the appropriation are not yet determined.

Note 10: As of May 20, 2023, the information is only shown up to March 31, 2023, for accuracy.

(6) Dividend policy and enforcement status of the Company

1. The Company shall first set aside 10% of the legal reserve and then set aside a special reserve in accordance with Article 41 of the Securities and Exchange Act except for the taxable income and prior years' losses, and the remainder shall be distributed in the following order as proposed by the Board of Directors:
 - (1) The remuneration for directors and supervisors shall not be more than 5% of the allocated amount.
 - (2) Employee compensation shall not be less than one percent of the allocated amount.
 - (3) The remaining balance represents dividends to shareholders.

Since the Company is in the growth phase of its corporate life cycle, with a view to effectively grasping appropriate investment opportunities, the Company's dividend policy, in addition to making reference to the general level of dividend distribution in the industry, will take into account the future capital needs and long-term financial planning requirements and will set aside at least 50% of the above-mentioned shareholders' bonus, of which no less than 10% shall be distributed as cash dividends, provided that the type and rate of such distribution may be adjusted by resolution of the shareholders' meeting depending on the actual profitability and capital position of the year.

2. Dividend distribution proposed at the shareholders' meeting (approved by the board of directors and not yet approved by the shareholders' meeting):

The appropriation of earnings for 2022, as resolved by the Board of Directors on March 22, 2023, was as follows:

Mechema International Group
2022 Surplus Distribution Table

Unit: NTD

Item	Amount
Beginning unallocated surplus	\$742,118
Add: Defined benefit plan remeasurement recognized in retained earnings	1,377,883
Net profit for the period	381,324,617
Subtotal	382,702,500
Less: Provision for legal reserve (10%)	-38,270,250
Available surplus for distribution	345,174,368
Assigned items:	
Special reserve - foreign currency adjustment	22,069,992
Distributable surplus for the period	367,244,360
Dividends to shareholders: Stock dividends - shares allotted per share	
Dividend to shareholders: Cash dividends - \$4.6 per share cash allotment	\$344,936,999
Ending unallocated surplus	\$22,307,361

1. The Company's distribution principle is to give priority to the distribution of 2022 earnings, and any shortfall will be distributed on a first-in, first-out basis according to the year in which the earnings are generated.
2. The chairman of the board of directors is authorized to determine the ex-dividend date and dividend payment date.
3. The cash dividends are calculated in accordance with the distribution ratio up to integer representation without fractions. The total number of outstanding shares is authorized to be adjusted by the chairman of the board of directors in consultation with certain persons.

Chairman: Yim Long-Chai / President: Yim Long-Chai / Accounting Supervisor: Tsai Wen-Hsun

- (7) Impact of the proposed gratis share placement (2022) on the Company's operating results and earnings per share: None

(8) Compensation for employees, directors and supervisors:

1. The percentage or scope of remuneration for employees, directors and supervisors as set forth in the Articles of Incorporation.
The dividend policy is implemented in accordance with Article 19 of the Company's Articles of Incorporation, as described in Item 6.
2. The basis for estimating the amount of compensation for employees, directors and supervisors, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual amount of distribution differs from the estimated amount.

The current valuation basis is based on the dividend policy set forth in Article 19 of the Company's Articles of Incorporation as follows:

The Company shall first set aside 10% of the legal reserve and then set aside a special reserve in accordance with Article 41 of the Securities and Exchange Act except for the taxable income and prior years' losses, and the remainder shall be distributed in the following order as proposed by the Board of Directors:

- (1) The remuneration for directors and supervisors shall not be more than 5% of the allocated amount.
- (2) Employee compensation shall not be less than one percent of the allocated amount.
- (3) The remaining balance represents dividends to shareholders.

The basis for calculating the current period is approximately one month's salary

There is no difference between the estimated and calculated bases for the current period. If the actual allotment amount differs from the estimated amount, it will be adjusted to the profit or loss in the following year.

3. The Board of Directors approved the distribution of remuneration:

- (1) The Board of Directors has approved the difference of \$0 and \$200,000 between the distribution of employees' remuneration of \$5,896,000, directors' and supervisors' remuneration of \$2,200,000 while the annual amount of \$5,896,000 and \$2,000,000, respectively, recognized as expenses in 2022.
- (2) The amount of employee compensation distributed in stock and its proportion to the aggregate amount of net income after tax and total employee compensation in the individual or individual financial statements for the period: The Company does not distribute employee stock bonuses. Therefore, it is not applicable.
- (3) After considering the proposed allotment of employees' and directors' and supervisors' remuneration, the calculated earnings per share:\$5.09. The above-proposed allotment of directors' and supervisors' remuneration has been recognized as expense for 2022 and has no impact on the calculated earnings per share.

4. The actual distribution of compensation to employees, directors and supervisors in the previous year:
The remuneration to employees of \$4,330,000 and the remuneration to directors and supervisors of \$2,000,000 for 2021 were the same as those approved by the Board of Directors.

(9) The Company's shares were bought back by the Company in the most recent year and as of the annual report: None.

2. Corporate bonds (including overseas corporate bonds): None

3. Preferred shares: None

4. Participation in the issuance of overseas depositary receipts: None

5. Employee stock options certificate application: None

(1) The outstanding employee stock options and the effect on shareholders' equity: None

(2) Names of managers and top ten employees who acquired employee stock options, acquisition and subscription: None.

6. Restrictions on the application of new shares of employees' rights: None

(1) The Company has not yet fully met the vesting conditions for the new shares with restricted employee rights and the impact on shareholders' equity: None.

(2) The names of managers and the top ten employees who acquired new shares with restricted employee rights and the circumstances of their acquisition: None.

7. Mergers and acquisitions of other companies shares and issuance of new shares: None

8. Capital utilization plan and implementation status: None

Chapter 5. Operation Overview

I. Business Content

(1) Business Scope

1. Main contents of the business operated
 - A. Manufacturing, trading, import, and export of cobalt acetate and manganese acetate
 - B. Manufacture, trading, import and export of cobalt compounds and manganese compounds
 - C. Trading, import and export of cobalt and manganese metals
 - D. Basic chemical industry
 - E. Other chemical products wholesale industry
 - F. Other chemical products retail industry
 - G. Industrial auxiliary manufacturing industry
 - H. Machinery and apparatus retail industry
 - I. Fertilizer retail industry
 - J. Management consulting
 - K. Other petroleum and coal products manufacturing industry (lubricants)
 - L. Petroleum products wholesale industry
 - M. Petroleum products retail industry
2. Business weighting

Unit: NTD thousand

Products	2022		2021	
	Amount (in thousands)	Operating weight(%)	Amount (in thousands)	Operating weight(%)
Battery material related raw materials	2,488,963	47%	2,108,730	51%
Oxidation catalyst (with related raw materials)	2,782,535	53%	2,017,686	49%
Total	5,271,498	100%	4,126,416	100%

3. Current products and services of the Company.
 - A. Manufacture, trading, import and export of cobalt acetate and manganese acetate.
 - B. Manufacture, trading, import and export of cobalt compounds and manganese compounds.
 - C. Trading, import and export of cobalt and manganese metals.
 - D. Production, manufacturing, trading, import and export of battery raw materials.
 - E. Manufacture, trading, import and export of cobalt bromide and manganese bromide.
 - F. Recycling of catalytic waste.
4. New products (services) planned to be developed.
 - A. Assist customers to establish high efficiency catalyst recovery system.
 - B. Research and development of other industrial catalysts.
 - C. R&D of cobalt soap.
 - D. Research and development of PTA and battery material intermediate product recycling system.

Our main products are solid oxidation catalysts and liquid oxidation catalysts, which are sold in Northeast Asia, Southeast Asia and the Middle East, as well as in Europe and the U.S., where we are developing into a global transportation center. In recent years, battery materials and related raw materials have been developed and sold mainly in Japan and Canada, resulting in a promising future under the development of electric vehicles.

(2) Industry Overview

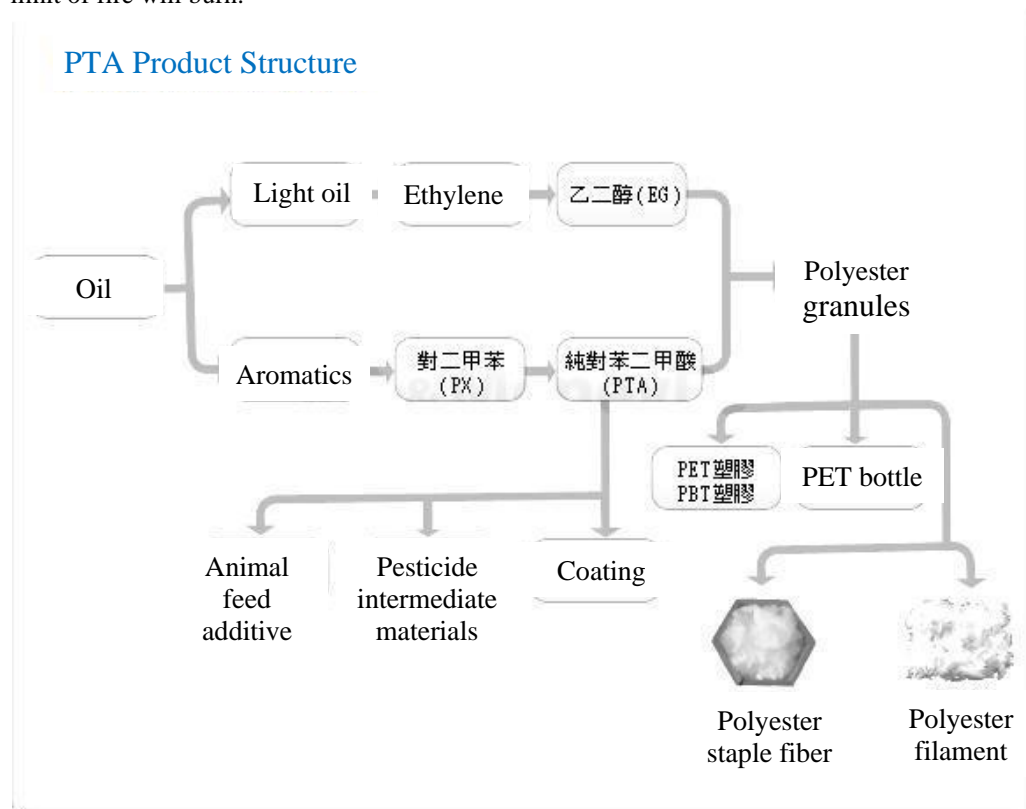
1. Current status of the industry

At present, the company's products are mainly divided into two major items, namely, oxidation catalysts and raw materials for battery materials (lithium and cobalt batteries in secondary batteries), and the current status of each industry is described below.

(1) Oxidation catalyst products:

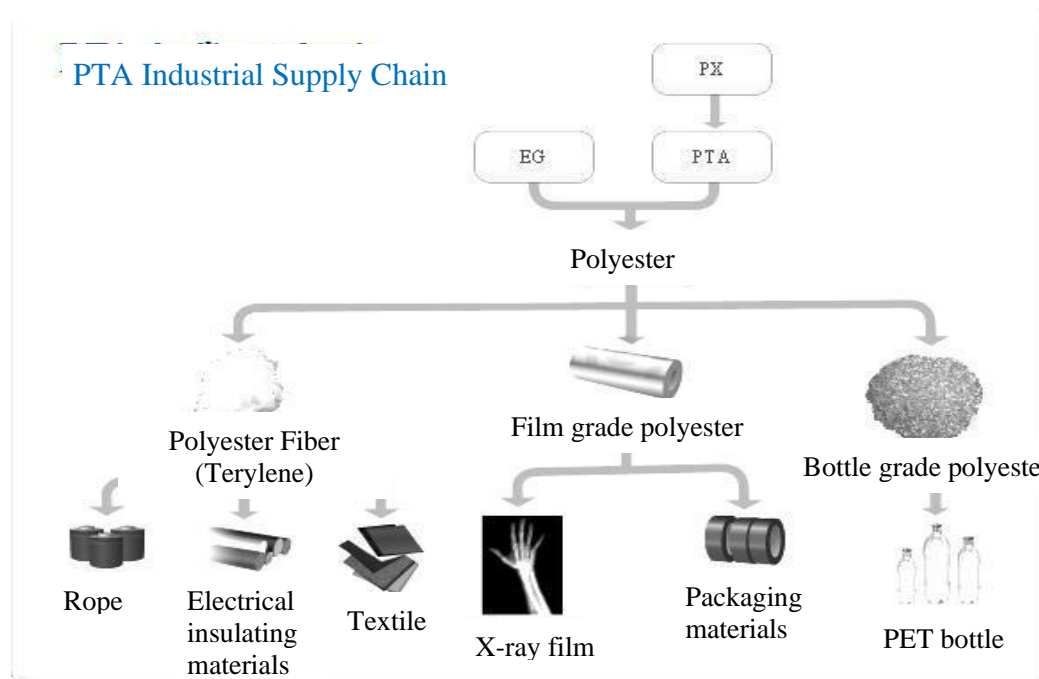
The main raw materials of oxidation catalyst are cobalt metal, manganese metal, bromic acid and glacial acetic acid, which are mainly supplied to downstream pure paraben dicarboxylic acid (PTA) manufacturers for production. It is an essential basic raw material for PTA production, since PTA oxidation catalyst must be utilized as long as PTA is produced. Therefore, the growth of this product is closely related to the PTA boom.

Pure Terephthalic Acid (PTA) is an important chemical fiber raw material, at room temperature is a white powder crystal, non-toxic, flammable, if mixed with air, within a certain limit of fire will burn.



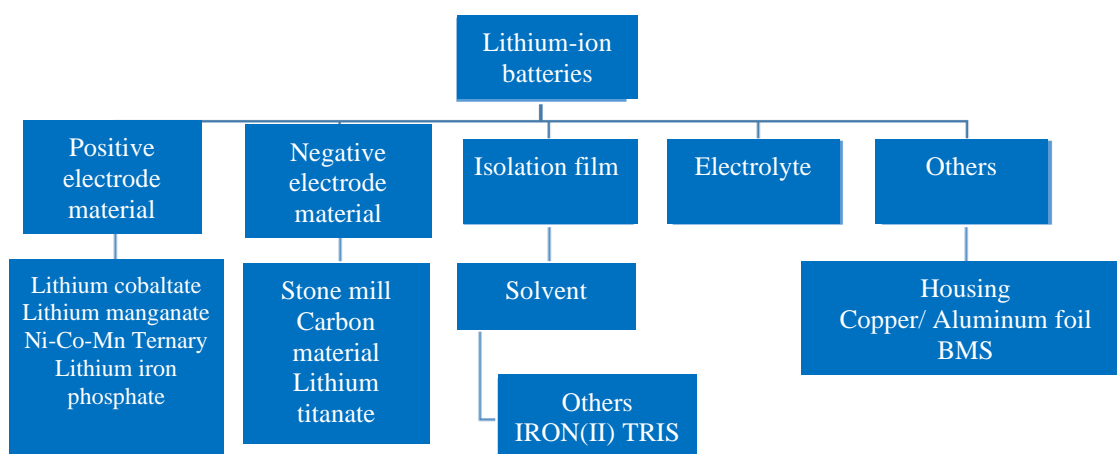
PTA is a downstream product of petroleum, which is extracted from crude oil through a series of processes, using PX as raw material and acetic acid as solvent, and oxidized by air under the action of catalyst to produce crude p-phthalic acid. The crude p-phenylene dicarboxylic acid is then refined with pure water, catalyst and hydrogenation to remove impurities, and then crystallized, separated, dried, and made into refined p-phenylene dicarboxylic acid products, i.e., finished PTA. The catalytic function of the catalyst is very important to the yield and quality of PTA, and therefore the quality and suitability of the PTA oxidation catalyst are highly required by the industry. The oxidation catalyst accounts for less than 0.5% of the cost of the PTA production process. However, the quality of the catalyst affects the production speed greatly, and the stability of the supply is also the main factor considered by PTA manufacturers. Hence, once used, it is not easy to replace. In addition, under the consideration of supply time, imported products do not pose a threat.

PTA is one of the important bulk organic raw materials, widely used in various aspects of national economy, such as chemical fiber, light industry, electronics, construction, etc. PTA is mainly used in polyester (polyester), including polyester fiber, polyester grain (PET) and polyester film in three categories, which currently more than 90% of the world's PTA is used in the production of polyester chips (PET). The remaining small amount is used in resin, adhesives and baking paint, etc. Polyester is used in the production of polyester fiber as the largest, to provide clothing (such as Tedolon, Prince Dragon, Taillie Ayia, clothing silk dragon, pearl dragon, Hualong silk, etc.), non-woven, tire curtain cloth, car seat belts, etc.; the second used in the production of polyester granules for the manufacture of plastic containers, such as beverage PET bottles (PET); polyester film to be used in video tapes, audio tapes, medical X-ray film and packaging materials, etc., the variety of application is deem extensive, widely used in video tapes, audio tapes, medical X-ray films, and packaging materials.



PTA production capacity is mainly concentrated in Asia, among which the mainland is the largest, surpassing Korea, Taiwan, and the United States, accounting for a quarter of the global PTA production capacity and a third of Asia, with its production and consumption being the first in the world. The main producers in China are subsidiaries of China Petrochemical Development Corporation, including Sinopec Yangzi Petrochemical, Yizheng Chemical Fibre, and Sinopec Shanghai Petrochemical, while other regions include Samsung of Korea, Mitsui Group of Japan, Formosa Chemicals & Fibre of Taiwan, and other internationally famous enterprises. Global PTA consumption is mainly concentrated in Asia and North America, especially in China, which is the fastest growing, accounting for nearly 50% of global consumption.

(2) Battery material products:



As the issue of climate change becomes a top policy priority for all countries, the trend of vehicle electrification is gradually taking shape. The four core "C.A.S.E." of future mobility - Connectivity, Autonomous, Shared and Electrified - will not only bring a century-long revolution in the traditional automotive industry, but will also create unprecedented business models for companies. Examining the progress of electric vehicles worldwide and forecasts, the electric vehicle market is forecast to continue to grow at a compound annual rate of 29% over the next 10 years, based on national policies on emissions and a ban on the sale of fuel-efficient vehicles.

Electric vehicles, as the name implies, convert the driving energy from gasoline to batteries, and there are many different types of batteries. Lithium-ion batteries have the advantages of high energy density, long cycle life, no memory effect, etc. They were applied in major portable consumer electronics products (including cell phones, notebook computers, and later tablet computers, etc.) in the early days. It was only when the electric vehicle industry emerged in recent years that future business opportunities exploded.

Lithium batteries are divided into ternary lithium batteries (used by Japanese automakers such as Honda and Suzuki), manganese lithium-ion batteries (BMW, Mitsubishi, etc.), and lithium-iron

phosphate lithium-ion batteries (BYD, etc.), and each battery is further divided into four categories of materials: positive electrode material, negative electrode material, isolation film, and electrolyte, of which positive electrode material accounts for more than 50% of the cost of the battery. Anode materials are the main source of lithium ions and the key to the performance of lithium batteries.

According to ITRI data, a hybrid vehicle requires 20 times more batteries than a laptop, while the demand for pure electric vehicles is about 1,000 times greater than that for laptops, which represents an amazing potential business opportunity. The global sales volume of electric vehicles increased 160% in the first half of this year compared to the same period last year, which will increase year by year with a long-term trend.

According to the International Energy Agency's (IEA) Global Electric Vehicle Outlook report, the number of electric cars, trucks, buses and other vehicles on the world's roads is expected to rise from 11 million this year to 145 million. If governments accelerate their climate targets, that number could skyrocket to 230 million by 2030.

Automobile majors and battery technology companies have been actively seeking ways to deal with battery waste for the past two years. In addition to responding early to the waste crisis, electric vehicles will generate a large amount of battery waste, and "recycling technology" represents a key research priority for the future. Lithium annual demand is expected to exceed current production from mines as early as 2022; by 2050, demand for cobalt may also exceed known global reserves. The future will be directed toward lithium battery recycling.

In the context of the continuous positive downstream application market, the anode material industry is also in the critical stage of technology upgrade and product replacement. At this stage, the choice of new projects to expand production capacity is to prepare for the next market explosion, and the second is for strategic planning considerations, through the multi-regional layout to help enhance its competitive strength in customer cooperation, service follow-up, and cost control is the main goal at present.

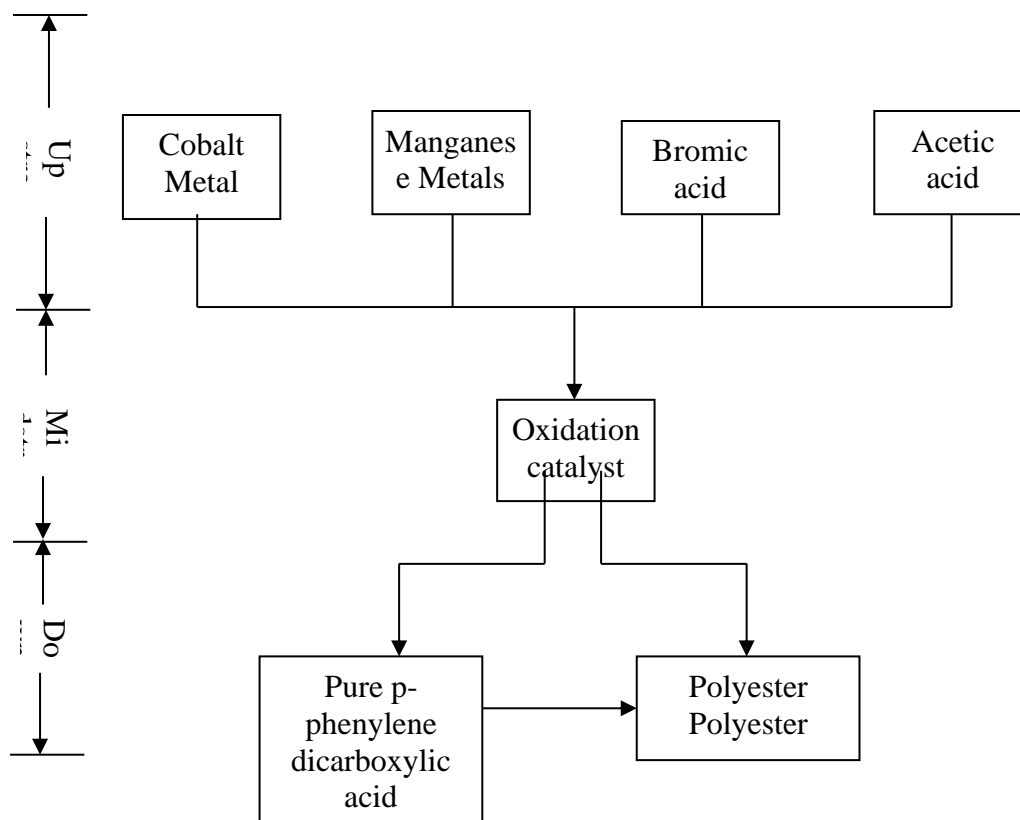
(3) Main products and their applications:



	Main application	End product
PTA oxidative catalyst	Catalyst for oxidation in PTS process	Clothes, bottles, tires, curtain
Battery materials	Industrial magnetic materials and lithium batteries	Electric vehicles, machine tools, 3C products, etc.

2 Upstream, midstream, and downstream industry linkages

(1) Chemical fiber PTA industry (oxidation catalyst)



(2) Battery material products (lithium batteries - battery materials):

In terms of the secondary lithium battery industry, it can be divided into three parts: upstream raw materials, midstream battery stamen manufacturing and assembly, and downstream applications.

The main raw materials of battery cells include electrodes (including positive and negative electrodes), electrolyte, isolation films and tanks. The raw materials account for more than 60% of the total manufacturing cost, among which the anode and isolation film account for the bulk of the material cost, accounting for 26% of the cost of battery materials, 23% of the isolation film materials, and 15% of the electrolyte. At present, the upstream raw materials of global batteries are mainly held by Japanese manufacturers, including Nichia Kagaku, Showa Denko International, Mitsubishi Chemical, and Nippon Denko. The scale of mass production and yield of battery cells is the source of competitiveness, because of the expensive investment equipment of battery cells, the gross margin only falls to about 20%. At present, the main source of battery cell supply is still Japanese and Korean manufacturers, including Japan's Sony, Panasonic, Maxell, and Korea's Samsung, LG, etc. There are also several manufacturers in mainland China that have reached mass production capacity, such as BYD, BAK, Lixin, Xinwang, etc. The downstream battery module is a combination of the battery cell and the circuit board designed by the manufacturer.

In terms of applications, notebook computers and handheld devices such as cell phones and PDAs have already gained a foothold in the market, but due to the slowing growth of the notebook market, the market has begun to shift to consumer electronics products. In recent years, the Taiwan government has encouraged domestic manufacturers to invest in the development of the electric vehicle industry chain, leading to the development of electric vehicles by domestic automakers, and many large-scale lithium-ion battery pilot projects for hybrid or pure electric vehicles are already in operation.

3. Various trends in product development

(1) Oxidation catalyst products:

About 40% of the catalyst with oxidation effect in the PTA production process is consumed with the product, and the remaining 60% is formed into waste ash containing cobalt and manganese or mixed in the wastewater, which is not easy to handle. Therefore, under the consideration of environmental protection requirements and energy protection, the manufacturers of catalysts should make two directions in the future, firstly, they should actively research and develop the recycling and reclamation technology of waste catalysts, which can indirectly reduce the cost of customers and extract the raw material of cobalt for reuse and can be applied to the production of other cobalt products. Hence, the raw material cost of the product can be greatly reduced, and at the same time, the goal of reducing the pollution level and enhancing the additional economic value of the product can be taken into account. In addition, the future market demand for catalysts will be oriented to high added value, high production rate and low pollution rate, so the future research and development direction of catalysts must take into account the objectives of lowest consumption, highest unit production capacity and least process by-products or pollutants.

(2) Battery material products:

According to the Xinhua News Agency, China will stop selling conventional fuel vehicles in China by 2025.

China will be the world's largest automotive market in the future and has the greatest potential for growth in the electric vehicle market. In order to solve the environmental pollution problem caused by the popularity of vehicles, China is actively promoting the development of the electric vehicle industry. Based on the policies of various countries to strictly restrict carbon emissions and promote the development of new energy vehicles, global sales of new energy vehicles are estimated to reach 12.92 million units by 2025 compare to approximately 2.7 million units in 2020, with a penetration rate of 13.7% from 3.9% and a compound growth rate of 37%.

4. Competition situation

(1) Oxidation Catalyst Products

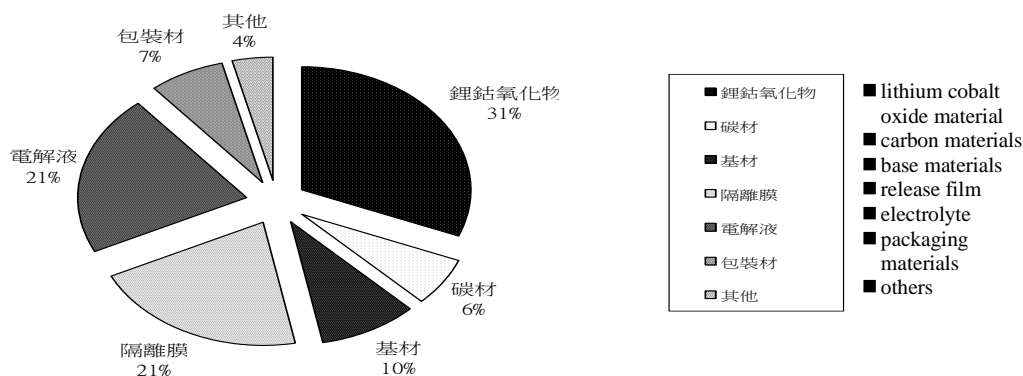
The PTA oxidation catalyst market is a special demand market, depending on the process and technology of PTA manufacturers. The requirements for catalyst formulation also vary, and therefore the PTA oxidation catalyst market is not a single standardized product market. Moreover, the oxidation catalyst accounts for less than 0.5% of the cost of the PTA production process, but the quality of the catalyst affects the production speed and quality very much. Hence, the main consideration for the use of a catalyst by each PTA plant is the suitability of its own process, the stability of the quality of the catalyst and after-sales technical service. As a result, it is not easy for PTA plants to change their catalyst suppliers once they have chosen them. At present, the domestic PTA oxidation catalyst industry is oligopolized by the Company, Kang and popular Fuyi, and the other three players and imported products do not pose a threat under the factor of supply time. In terms of downstream PTA customers, there are three domestic manufacturers of PTA, namely, China American Petrochemical, Taiwan Formosa Chemicals & Fibre Corporation and Oriental Petrochemical.

(2) Battery material products:

The Company will sell a portion of its production directly to Japanese customers with whom it currently has good relationships, and thus the following is the current situation and future development of the lithium battery market:

Currently, the quality and price of rechargeable lithium batteries - battery materials are limited by the neighboring country of Japan, due to the limited production of these materials in Japan and the high demand of Japanese battery manufacturers, which makes the battery materials not easily available outside of Japan. However, the demand for portable and rechargeable secondary batteries is increasing in the global consumer market. Therefore, the main key factor affecting the production of batteries today is the source and quality of battery materials. Japanese suppliers supply higher-quality battery materials to Japanese battery manufacturers, while inferior goods are supplied overseas. Battery manufacturers need high-quality battery materials to produce good-quality lithium batteries, and the vitality and competitiveness of China's secondary battery manufacturers are still restricted by Japan.

As for the composition of lithium ion secondary batteries, the battery material employed, lithium oxide material, can be divided into three types: lithium cobalt oxide material, lithium nickel oxide material, lithium manganese oxide material, etc. Currently, lithium nickel and lithium manganese oxide materials are not yet popular, which makes lithium cobalt oxide material the most important material affecting the production of lithium batteries today, accounting for more than 30% of the material cost of all materials used in the production of batteries (see Figure 1).



(3) Technology and R&D Overview

1. The main production technology of our oxidation catalyst products is imported from MECHEMA, UK.

With the relevant experience of our R&D team and accumulated through continuous efforts, the company continues to train and absorb domestic technical experts in order to upgrade our technology. In addition to the matured main product "oxidation catalyst" and cobalt and manganese recycling technology, we have developed new technologies for recycling LED electronic waste (eGa) and touch panel material (ITO) in line with the industrial trend in Taiwan and have been approved by the Industrial Development Bureau of the Ministry of Economic Affairs and the Environmental Protection Administration. After the Industrial Development Bureau of the Ministry of Economic Affairs and the Environmental Protection Administration listed the waste cobalt-manganese catalyst (R-1401) and cobalt-manganese dust ash (R-1103) as items for reuse, two new projects have been applied, (C-0201) gallium acid and (C-0202) gallium alkaline, with the aim to contribute to environmental protection and resource recycling. After the mass production of electronic-grade nickel sulfate and the commissioning of its production line, the quality and production capacity have been improved and related materials for the electroplating and battery market have been developed.

2. Future development direction of R&D work

The recovery of cobalt metal from waste cobalt manganese catalysts has matured. The company is currently developing other

electronic wastes such as LED and panel while introducing new powder pelletizing and molding technology for lithium cobaltate or ternary battery materials in lithium secondary batteries.

3. Continuing to develop and develop precursors for energy storage materials, including mono, binary, and ternary, as well as magnetic materials, etc.

4. Research and development staff and their academic experience

Annual Education	2021	2022	March 31, 2023
College (including) or above	3	4	4
High School	-	-	-
Below high school	-	-	-
Total	3	4	3

5. Annual investment in research and development for the last five years and the development of successful technologies or products

A. Research and development expenses for the last five years

Unit: NTD thousand

Annual	Research and development costs	Operating revenues	Percentage of operating revenues
2018	14,563	4,917,081	0.30%
2019	15,756	3,314,587	0.48%
2020	14,544	2,234,584	0.65%
2021	11,288	4,126,416	0.27%
2022	14,450	5,271,498	0.27%

Note: R&D expenses are expected to be 0.3%-0.6% of revenue by the end of 2023.

B. R&D results for the last five years

Project	R&D Results	Benefit Description
New Recycling Technology	Recovery of metals from CTA residues and MLRU and re-production of catalyst	1. Reduce cost to enhance competitive advantage. 2. Improve the efficiency of output increase. 3. Assist customers to treat waste catalysts and increase their recycling benefits.
Process Improvement	Reducing the impurities of battery material mother liquor	1. The defective rate is reduced from 3% to 0.5%, reducing the heavy industry rate by this. 2. Quality improvement is recognized by customers to enhance business reputation.
New Product Development	Ternary battery material electronic grade nickel sulfate	1. Trial production and mass production SOPization. 2. We have developed new customers in the United States, Japan and Korea.
New Recycling Technology	Gallium recovery from LED production lines	1. Recovery of precious metals. 2. Green recycling industry.

(D) Long- and short-term business development plans

1. Short-term business development plan:

- A. Enhance product quality management and quality control capability to improve product quality. The company has passed the ISO-9001:2015 quality management system certification and obtained ISO14001:2015 environmental management system certification, aiming to continue to implement quality policies and comply with environmental protection regulations.
- B. Establish overseas production bases to supply products nearby and expand production scale to increase market share and maintain stable growth in sales.
- C. Expand the existing marketing channels to increase the market share in China, and actively expand the sales cooperation with the major domestic manufacturers.
- D. Promote our catalyst recycling process and equipment to increase revenue from waste catalyst recycling benefits.
- E. Strengthen the service to the existing customers to maintain the long-term cooperation relationship. Our company is committed to providing perfect after-sales service and assisting customers to recycle waste catalysts in order to maintain a long-term relationship with customers.
- F. To meet the capital requirements for business expansion and to increase capital or borrow from banks in a timely manner without affecting profitability.

2. Long-term business development plan:

1. Making good use of the key raw materials, to attract the Japanese and Korean manufacturers to cooperate
2. Setting up factories around the world to serve customers nearby
3. Providing comprehensive solutions to develop a circular economy and enhance added value

2. Market, production and sales overview

(I) Market Analysis

1. Sales (provision) of the Company's major products (services) by region

Unit : NTD thousand

Annual		2022		2021	
Area		Amount	Ratio (%)	Amount	Ratio (%)
Domestic Sales		2,911,707	55%	2,419,640	58%
Export	Asia	1,734,559	33%	1,265,599	31%
	Non-Asian	625,232	12%	441,177	11%
Operating revenue		5,271,498	100%	4,126,416	100%

Since the establishment of our company, we have been engaged in the professional production of PTA oxidation catalysts. Currently, there are three domestic manufacturers of PTA oxidation catalysts, including our company, Coremax, and Full Yield.

3. Future market supply and demand and growth

Since the PTA oxidation catalyst is a special catalyst used in the PTA production process, its market demand is inseparable from the prosperity of the PTA market. The worldwide demand for PTA continues to increase, and there is still a huge gap between supply and demand for many synthetic fiber raw materials in Asia and other countries around the world. In fact, there is still much room for growth in the PTA market. Currently, the main market of PTA products in Asia, coupled with Asia's vast hinterland and easy access to land, the world's large multinational petrochemical companies are all taking Asia's huge market demand as their target market, and are actively planning to enter the Asian market by building large petrochemical industry zones in the coastal areas of China.

4. Competitive niche

A. Mature process technology and stable product quality

Our company has accumulated many years of production experience and is dedicated to the improvement of production technology, production equipment and product quality. Since our company was established, the turnover rate of employees is low and the head of the production department has served in the industry for many years and is familiar with the procedures and techniques of product manufacturing. For our sales customers, the use of catalysts is related to the smoothness of their overall production process, while the use of catalysts by users is based on a combination of factors such as the quality and stability of the catalysts, process suitability as well as production efficiency. This is conducive to the company's stability in the existing market and the expansion of new markets.

B. Rich professional experience and recycling technology

Our business and technical teams have cultivated many years of experience in the industry and have extensive expertise in industry research, production technology as well as products. We are able to provide complete after-sales service to our sales customers with our extensive and professional catalyst technology while assisting customers in effectively solving problems with the use of our products, which helps to build our reputation and consolidate our relationship with our customers. At the same time, our company has a number of high-efficiency catalyst recycling patented technology, that is helpful to recycle metal and create recycling value back to customers, creating a four-win situation - environmental protection, customer, supplier, and Mechema International Group.

C. Establish overseas production and sales bases to provide immediate service

In order to grasp the pulse of overseas markets, the Company has invested in Indonesia, Thailand, Korea and China (Shangyu) since 1999 to set up production and sales bases to provide immediate product support and services in order to enter the local markets smoothly. The establishment of overseas production and sales bases will not only reduce the risk of

excessive concentration of domestic sales, but also actively develop overseas markets and break through the limited development restrictions of the domestic market.

D. Independent research and development capabilities

We set up an R&D department in 1998 and hired Japanese consultants to provide technical guidance while actively cultivating and establishing a dedicated R&D team. Our initial R&D goals aim to improve existing processes, provide production efficiency and recycle precious metals.

5. Favorable and unfavorable factors of development prospect and countermeasures

A. Favorable factors:

- (A) The downstream product PTA is widely used and has a solid demand for oxidation catalysts
- (B) High added value of oxidation catalyst
- (C) No other substitutable products
- (D) Matured recycling technology
- (E) The quality of battery material-related raw materials recognized by Japanese customers, with the subsequent development of related products reaching upstream and downstream integration.
- (F) Leading market share in the industry
- (G) Good financial performance in terms of financial structure, solvency, and profitability

B. Disadvantageous factors and countermeasures: the number of PTA production plants is limited, so that their sales targets are more concentrated

C. Specific measures in response:

- (A) Establishment of overseas subsidiaries to actively expand the international sales market
- (B) To actively explore the sales of Polyester manufacturers downstream of PTA in order to improve the concentration of sales targets
- (C) To distribute and sell other process catalysts with new products developed to enrich the Company's product portfolio

(2) Important applications and production processes of major products

1. Main product applications

Category	Main Products	Important Uses
Oxidation Catalyst - Liquid	Manganese acetate, cobalt acetate, cobalt bromide, manganese bromide	Catalyst for oxidation reaction in PTA process
Oxidation Catalyst - Solid State	Cobalt acetate crystals manganese acetate crystals	Polyester coloring agent, catalyst for oxidation reaction in PTA process
Battery material related raw materials	Cobalt sulfate, nickel sulfate, nickel oxide	Cobalt sulfate is used in ceramic glazes and paint catalysts, also used in electroplating, alkaline batteries, analytical reagents, etc.
Others	Machinery and equipment, cobalt, manganese, nickel Bromic acid, antimony trioxide	Agency, sales and other business

2. Production process

Our products can be divided into solid and liquid oxidation catalysts and magnetic materials, and the breakdown of these products varies depending on the customer's application:

Flow chart of oxidation catalyst production:

Raw material → reaction → intermediate product → blending → storage → liquid finished product

Flow chart of battery material production:

Raw material → reaction → intermediate product → reaction → drying → sintering → packing → solid finished product

(3) The supply of major raw materials

Main raw materials Project	Domestic Supplier	Foreign Supplier	Production Area	Supply Status
C	-	A	Americas / Africa / Australia	Stable and adequate
M	-	B	Asia	Stable and adequate
H	-	C	Asia	Stable and adequate
N	-	V	America	Stable and adequate

(4) The last two years accounted for more than 10% of the total amount of imports and sales of the names of customers and the amount and proportion of imports (sales), and explain the reasons for the increase or decrease in changes

1. Information on major suppliers in the last two years

Unit: NTD thousand ; %

	2022				2021				2023 as of the previous quarter			
Project	Name	Amount	As a percentage of net imports for the year [%].	Relationship with the Issuer	Name	Amount	As a percentage of net imports for the year [%].	Relationship with the Issuer	Name	Amount	Percentage of net sales for the year ended the previous quarter	Relationship with the Issuer
1	M Manufacturer	854,094	17%	None	E Manufacturer	868,255	23%	None	S Manufactur rer	105,805	24%	None
2	N Manufacturer	705,531	14%	None	Manufacturer	629,512	17%	None	N Manufactu rer	64,146	15%	None
3	D Manufacturer	609,130	12%	None	V Manufacturer	444,322	12%	None	U Manufactu rer	31,283	7%	
4	Other	2,745,094	57%	None	Other	1,865,158	48%	None	Other	237,449	54%	None
	Net Purchases	4,913,849	100%		Net Purchases	3,807,247	100%		Net Purchases	438,683	100%	

Description: In 2022, M, N, and D manufacturers are more competitive in purchasing cost, so the proportion of imports is more than 10%.

2. Information on major sales customers in the last two years

Unit: NTD thousand ; %

	2022				2021				2021 Year ended the previous quarter			
Project	Name	Amount	As a percentage of net sales for the year [%].	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the year [%].	Relationship with the Issuer	Name	Amount	Percentage of net sales for the year ended the previous quarter	Relationship with the Issuer
1	Mechema Toda Corporation	2,488,963	47%	Joint Ventures	Mechema Toda Corporation	2,108,730	51%	Joint Ventures	Mechema Toda Corporation	204,281	32%	Joint venture
2	Other Clients	2,782,535	53%	None	Other Clients	2,017,686	49%	None	Other Clients	434,413	68%	none
	Net sales	5,271,498	100		Net sales	4,126,416	100		Net sales	638,694	100	

Description: The Company's main customers, which accounted for more than 10% of the total sales in the last two years, are Mechemata Toda Corporation. The main products are battery material-related raw materials.

(5) The last two annual production volume

		Unit: Tonnes; NTD thousand					
		2022			2021		
Main products	Production volume and value	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
	Year						
	Oxidation Catalyst	28,000	24,805	4,760,738	28,000	27,698	3,575,002
	Total	28,000	24,805	4,760,738	28,000	27,698	3,575,002

(6) The last two years of sales volume value

Unit: Tonnes; NTD thousand

		2022				2021			
		Domestic Sales		Exports		Domestic Sales		Exports	
Main products	Production volume and value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
	Year								
	Oxidation Catalyst	3,002	290,826	22,835	2,359,791	3,853	263,524	23,350	1,706,776
	Battery material related raw materials	1,810	2,620,881	0	0	3,343	2,156,116	0	0
	Total	4,812	2,911,707	22,835	2,359,791	7,196	2,419,640	23,350	1,706,776

3. Worker information for the last two years

Annual		2022	2021	March 31, 2023
Number of employees	Direct Staff	22	22	20
	Indirect Staff	35	33	35
	Total	57	55	55
Average age		41	40	42
Average Length of Service		8	7	9
Education	PhD	1	1	1
Distribution	Master	7	6	7
Ratio	University	23	23	22
(%)	Junior college	8	8	8
	High School	15	14	14
	Below high school	3	3	3

4. Environmental Expenditure Information

The total amount of losses and penalties incurred by the Company for polluting the environment in the most recent year and up to the date of printing of the annual report, as well as disclosing its future countermeasures (including improvement measures) and possible expenses:

However, in order to fulfill our responsibility as global citizens and to protect the environment, we are committed to reducing the use of heavy oil in response to the change in policy. Since heavy oil is a highly polluting fuel, the Company has switched to natural gas as an environmentally friendly alternative and has been awarded 2 stars by the Environmental Protection Administration of the Executive Yuan for the first "Waste Resource Recycling Economy Assessment". With the ISO14001:2015 environmental management system certification approval, the company not only produces reliable products but also complies with environmental protection regulations.

(1) Environmental Management

With the aim to cherish the earth's ecological resources and reduce the environmental impact caused by the manufacturing process of our products, we have set up an occupational safety unit in the general manager's office and assigned staff to supervise and manage environmental and safety issues, and scheduled internal training while having staff to attend government courses on environmental safety and pollution prevention to enhance the concept of environmental safety so as to promote daily environmental protection and energy saving in monthly meetings:

Energy saving and carbon reduction	Promoting energy conservation by turning off water and electricity at will Office energy saving light fixture replacement Air conditioning temperature control in summer Reduce emissions by turning off the engines of all vehicles in the plant when they are in standby mode Recycled paper printing or duplex printing to reduce paper usage Reduce paper usage by promoting electronic documents across the board Use of natural gas instead of heavy oil consumption Purchase of energy-saving equipment Full online forms
Waste Reduction	Set up resource recycling bins for waste separation and recycling In the process control, the effort to shorten the production process while reducing the use of solvents, dust, waste water and waste generation. Create a safe and healthy working environment with no waste, less waste and clean process production. Promoting self-carrying garbage has reduced the amount of domestic waste

We have obtained ISO 14001 environmental management system certification to strengthen our responsibility for environmental protection and to introduce the concept of greenhouse gas inventory and carbon footprint. In the process of product development and design, manufacturing, transportation and waste disposal, we consider the possible impact on the environment and therefore set the following environmental standards as our highest principles in environmental protection work.

1. Follow environmental regulations to promote environmental protection.
2. Pollution prevention, regular review and review of the environment.
3. Continuous improvement, full implementation, and construction of a safe operating environment.

(2) Energy Resources Management

In order to effectively reduce the impact of the greenhouse effect on the environment, we are dedicated to continuing to promote energy-saving operations. In addition to implementing the ISO14001:2015 environmental management system, we are working towards lowering energy consumption and reducing CO2 emissions in order to achieve a win-win situation in terms of reducing global warming greenery and operating costs.

The catalyst itself is composed of cobalt and manganese bromine, both of which are metals and cannot be vaporized. Therefore, Mechema opts for water for production operations and cleaning in the production process.

We recognize that water resources are limited and have implemented a number of water recycling and conservation measures in our manufacturing process to cherish water resources.

1. A condensate buffer collection tank is added to recover all the condensate from the original boiler when the steam condensate tank overflows.
2. A steam separator and a condensate recovery pipe are added at the end of the steam line to recover all the condensate in the steam line.
3. The cooling water temperature is controlled and the tower fan is stopped with a low cooling water temperature reducing splash loss. The current water recovery measures are quite successful.

As for the use of heavy oil, the Company has obtained a permit from the environmental protection unit and uses it in accordance with the regulations. Since 2014, the use of heavy oil has been reduced due to changes in product items. Since heavy oil is a highly polluting fuel, the Company has switched to natural gas as an environmentally friendly alternative.

In order to reduce the environmental impact caused by production activities, the company has implemented a series of control measures in order to make full use of products or raw materials and even recycle them.

In addition to source control, for the purpose of maximizing the effectiveness of our products and raw materials, we hold regular meetings to instruct the relevant units to speed up the processing or reuse of poor materials or defective products generated during production.

Apart from improving the efficiency of energy and resources in production, tanker truck carries out product delivery to reduce the use of barrel packaging materials. Moreover, the wooden pallets used for export are not easily recyclable due to the high loss of wood pallets and a large amount of deforestation, which leads to the reduction of forest land and destruction of forests, resulting in the greenhouse effect of the earth and the environmental burden caused by the need for smoky treatment of drugs. The company is committed to energy saving and waste reduction in all aspects and planting greenery in the factory to do our part in environmental protection.

Electricity Usage in the Last 2 Years

Year	2022	2021
Annual consumption (degrees)	5,199,787	5,141,626
Individual annual production volume (tons)	12,635	13,852
Electricity consumption per ton of product (kWh)	411.54	371.18
Individual revenue in thousands of dollars	5,110,732	3,835,476
Electricity consumption intensity degree/thousand yuan	1.01743	1.34054

Recent Annual Steam Usage Status

Year	2022
Yearly usage (tons)	114,199
Yearly production capacity (tons)_Oxidation catalyst	12,635
Electricity of natural gas per ton of product (ton)	9.04

Remark: The usage of steam started in October 2022

Total energy consumption

The main energy sources used by the Company are purchased steam and purchased electricity in the production process, and the total energy consumption for the past two years is as follows:

Item	Unit	Year 2022	Year 2021
Purchased Power	GL	18,719	18,510
Purchased heavy oil	GL	4,317	3,529
Purchased natural gas	GL	4,300	-
Total energy consumption	GL	27,337	22,039
Total Revenue	thousand dollars	5,110,732	3,835,476
Energy intensity	GL/Thousand dollars	0.0053	0.0057

Quantitative management of energy saving and carbon reduction in the future

Quantitative management of energy saving and carbon reduction: The Company's future quantitative measures for energy saving and carbon reduction: Since heavy oil is a highly polluting fuel, we have applied to CNPC to use natural gas to replace the consumption of heavy oil.

In order to reduce the environmental impact caused by production activities, the company has implemented a series of control measures in order to make full use of products or raw materials and even recycle them.

In addition to source control as well as to maximize the effectiveness of our products and raw materials, we hold regular meetings to instruct the relevant units to speed up the processing or reuse of poor materials or defective products generated during production.

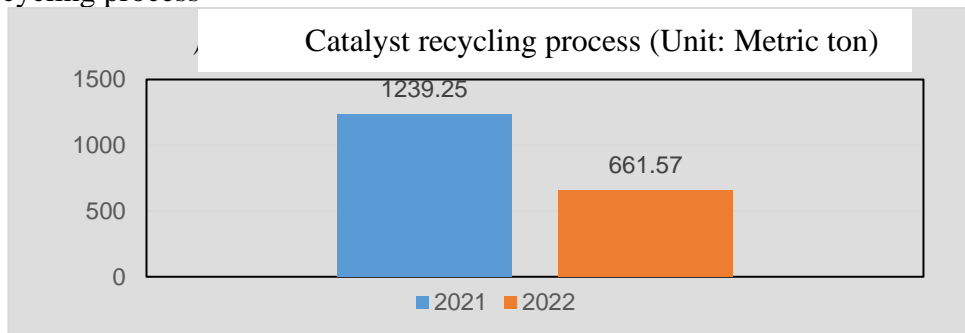
In addition to improving the efficiency of energy and resources in production, the company also employs tanker trucks in the delivery of products to reduce the use of barrel packaging materials. Besides, the wood pallets used for export are not easy to be recycled owing to the high loss of wood pallets, as well as a large amount of deforestation, resulting in the reduction of forest land and the destruction of forests, which causes the greenhouse effect on the earth. Furthermore, it is necessary to be treated by smoky drugs, which poses a burden on the environment, and thus our company actively coordinates with customers to use plastic pallets instead of wood pallets for shipment, which can be returned and reused.

Statistics on the use of packaging materials and unit consumption for the past two years:

Package Statistics	2022	2021
Amount of package materials(dollar)	2,749,054	1,735,986
Production weight (ton)	79,586	58,732
Average amount (dollar)/metric ton	35	30

(3) Green Products

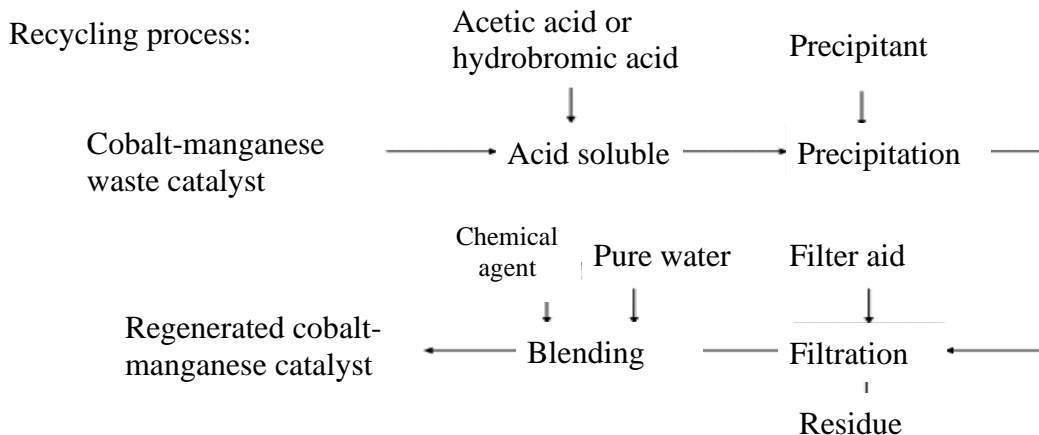
Catalyst recycling process



The slurry (cobalt ash) of crude paraben dicarboxylic acid (CTA) residue of cobalt and manganese catalyst contains about 0.3~0.4% of valuable recoverable metal elements such as cobalt and manganese, which are left in the liquid phase aqueous solution. The slurry also contains some organic condensate of about 10~20%, and the rest is mostly water accounting for about 70%. In the past, the above CTA residue slurry was mostly treated by high-temperature heat treatment of waste liquid, after the high-temperature heat treatment, valuable metals such as cobalt and manganese formed high-value oxidation ashes, which are difficult to recover and cause waste. As a result, a lot of heavy oil energy is applied to vaporize the water in the slurry during the heat treatment process, which not only causes invisible waste of valuable metals such as cobalt and manganese but also consumes a lot of energy and causes a lot of greenhouse gas emissions in the environment. The heat treatment process results in a tangible waste of valuable metals such as cobalt and manganese, while also consuming a lot of energy with large amounts of greenhouse gas emissions in the environment.

In the CTA residue slurry, the valuable recoverable elements such as cobalt and manganese, which contain about 0.3~0.4% of residual cobalt and manganese, are removed through a series of organic coagulation and metal precipitation filtration and dewatering to increase the valuable metal content of cobalt and manganese in the filtered sludge cake to more than 5% for the subsequent recycling process.

Recycling process:



The recycled products can be used as oxidation catalyst for CTA process, which can save the cost of cobalt and manganese catalysts and indirectly reduce the operation cost of customers as well as the landfill of waste, achieving a win-win situation for the company, customers, and the environment.

(4) Greenhouse gas and air pollution emissions and climate-related information

Climate-related information

<p>Basic information of our company</p> <p><input type="checkbox"/> Companies with capital of over \$10 billion, steel industry, cement industry</p> <p><input type="checkbox"/> Companies with capital of more than \$5 billion and less than \$10 billion</p> <p><input checked="" type="checkbox"/> Issues for companies with less than \$5 billion in capital</p>	<p>According to the Sustainable Development Pathway for listed companies, at least the following should be disclosed</p> <p><input checked="" type="checkbox"/> Parent Company Personal Inventory <input type="checkbox"/> Consolidated financial reporting subsidiary inventory</p> <p><input checked="" type="checkbox"/> Parent company financial statements <input type="checkbox"/> Consolidated financial statements of subsidiaries</p>
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The Company's paid-in capital was \$749 million, and in accordance with the reference guidelines and related regulations issued by the competent authorities.

The following table shows the completion of the continuous control of the greenhouse gas inventory and the completion of the verification and disclosure schedule:

Item	Work Item	Estimated Completion Time
1	To establish the "Greenhouse Gas Inventory and Verification Management Regulations" in order to standardize professional/part-time units, assess the number of professional/part-time personnel and the scope of duties as well as internal verification units	By the end of December 2023
2	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December 2023
3	Professional training for internal auditors and internal investigators	By the end of September 2024
4	Develop strategic objectives and control mechanisms	By the end of December 2024
5	Planning for internal and external audits	By the end of December 2024
6	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December 2024
7	Each unit began in 2025 according to the actual quarterly inventory and record the amount of greenhouse gases	By the end of December 2025
8	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December 2025
9	The parent company completed the greenhouse gas inventory for the year 2025.	By the end of December, 2026
10	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December, 2026
11	Completed the greenhouse gas inventory for the year 2026	By the end of March, 2027
12	Internal verification-completed in 2026 of internal verification of greenhouse gases	By the end of September, 2027
13	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December, 2027
14	Consolidated subsidiaries complete the greenhouse gas inventory in 2026	By the end of December, 2027
15	External verification-completed in 2027 of external (third-party) greenhouse gas verification operations	By the end of June, 2028
16	Completed the 2027 Annual Greenhouse Gas Report	By the end of September, 2028
17	Completion of related information system construction	By the end of December 2028
18	The parent company completed the consolidation of greenhouse gas confirmation for the year 2027	By the end of December 2028
19	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December 2028
20	Completion of the 2028 Annual Greenhouse Gas Report of the Consolidated Subsidiaries	By the end of September 2029
21	Consolidated subsidiaries complete the greenhouse gas confirmation process for the year 2028	By the end of December 2029
22	Internal auditors track and check whether the relevant operations are actually completed according to the plan	By the end of December 2029

4.4.1. Climate related information implementation situation

Item	Execution
1. Describe the Board's and management's oversight and governance of climate related risks and opportunities.	The Board of Directors is the highest level of responsibility for climate change related risk management, while its Risk Management Committee and Sustainable Development and Responsible Minerals Committee are responsible for regularly monitoring the implementation of climate change related risks and opportunities, respectively.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the enterprise in the short, medium, and long term.	Detailed climate risk management and opportunity management instructions
3. Describe the financial impact of extreme climate events and transformational actions.	Id.
4. Describe how the climate risk identification, assessment and management process is integrated into the overall risk management system.	Id.
5. If situational analysis is used to assess the resilience to climate change risks, the scenario, parameters, assumptions, analysis factors, and key financial impacts should be described.	Id.
6. If there is a transformation plan for managing climate-related risks, describe the contents of the plan and the indicators and targets for identifying and managing physical and transformation risks.	Id.
7. If internal carbon pricing is used as a planning tool, the basis for price setting should be stated.	No internal carbon pricing plan yet
8. If climate related targets are set, the activities covered, the scope of greenhouse gas emissions, the planning period, the annual progress of achievement, etc. should be stated; if carbon offsets or renewable energy certificates RECs are used to achieve the relevant targets, the source and quantity of carbon reduction credits to be offset or the quantity of renewable energy certificates RECs should be stated.	Detailed climate risk management and opportunity management instructions
9. Greenhouse gas inventory and confirmation of the situation shall also be filled in (1).	The implementation of the climate change situations

4.4.2. Climate Risk Management

Risk Type		Climate Risk	Topic Impact	Influence Timeline	Production Base	Value Chain Impact	Financial Impact	In response to the measures
Transitional Risk	Policy and Regulatory Risks	International Standards	Different system certifications had to be introduced and additional implementation and management costs had to be invested to ensure that the customer's requirements were met.	Short-term	All Locations	Market / Supply Chain	Increased operating costs	Establish a corporate sustainability committee and actively promote ESG as a
	Policy and Regulatory Risks	Energy tax regulations	In order to comply with the regulations, the company has invested in energy saving and carbon reduction measures, such as the replacement of old equipment that does not meet the new energy efficiency regulations, resulting in increased operating costs.	Short-term	All Locations	Factory	Increased operating costs	Set "Energy Sustainability 2030" carbon reduction targets and incorporate them into the KPI of each production site
	Market Risk	Customer behavior change	The gradual improvement in energy efficiency of the products may increase the operating cost for the customers, and may affect the investment willingness of the stakeholders or risk the cancellation of orders if the standards of the customers are not met.	Short-term	All Locations	Market / Supply Chain	Increased operating costs	Set renewable energy use and carbon reduction targets that meet customer requirements
Physical Risk	Acute Risk	Increasing the severity of extreme weather events	Extreme weather events such as typhoons, tropical cyclones and rainstorms are becoming more frequent and more severe. As a result, there is a risk of flooding of plants and damage to equipment and facilities due to strong winds and soaking water.	Long Term	All Locations	Factory	Increase in operating costs Decrease in revenue	Continuous investment in disaster prevention equipment and drainage system maintenance

4.4.3 Climate Opportunity Management

Type of Opportunity		Topic Impact	Influence Timeline	Production Base	Value Chain Impact	Financial Impact	In response to the measures
Resource Utilization Efficiency	Adopt more efficient production and distribution processes	Reduced and lighter use of packaging materials, and the introduction of carbon reduction production in the plant	Short-term	All Locations	Market / Supply Chain	Reduce operating costs	Promote design standardization to help automate the construction of production processes to continue to lead to automated equipment.
	Recycling	Increasing the development of recyclable materials	Short-term	All Locations	Factory	Increase revenue	Evaluate and develop products with a certain percentage of recycled materials in the manufacturing process. Strengthen supply chain cooperation to develop recycled products.
Products and Services	R&D headquarters and innovation of new products and services	In addition to the possible increase in operating costs due to the gradual improvement in energy efficiency of products, failure to meet customers' standards may also affect stakeholders' willingness to invest and may result in order cancellation.	Short-term	All Locations	Market / Supply Chain	Increase revenue - Enhance reputation and image	The company continues to cooperate and exchange with major universities and colleges to strengthen our R&D capability and enter new markets through strategic alliances.
	Development of low carbon products and services	Extreme weather events such as typhoons, tropical cyclones and rainstorms are becoming more frequent and more severe. Therefore, there is a risk of flooding of plants, damage to equipment and facilities due to strong winds and water immersion, etc.	Mid-term	All Locations	Factory	Increase revenue	Develop forward-looking technologies to grasp market trends and customer needs.

4.4.4. Transformation Risk Situation Analysis

The transition risk will affect the company's investment and profitability, resulting in financial risk. Governments around the world are revising their policies and laws in response to climate change issues, and are proposing carbon fees, taxes, and carbon trading mechanisms to regulate carbon emissions; clients are also responding to demands for product efficiency and carbon emission control.

In the future, the SBTi 1.5°C scenario and the social cost of carbon price scenario will be used to evaluate the carbon price risk of the company in the process of carbon

reduction based on the scientific basis and to use different scenarios to estimate the future carbon reduction risk and the expected operating impact caused by the pressure of carbon price increase as a reference for the company's carbon reduction cost and operating decision. Later, plan and construct an adaptation strategy in advance. In addition, we will mitigate the risk impact through strategies such as operational efficiency improvement, green power procurement evaluation as well as product design energy efficiency improvement, so as to evaluate and consider new business investments to create negative carbon assets to avoid the impact on assets and revenue due to the impact on productivity and market demand caused by transformation risks.

4.4.5 Physical Risk Situation Analysis

Climate change will lead to long-term changes in living conditions, affecting people's health, labor productivity, agriculture, ecosystems, and sea level rise, as well as changing the frequency and severity of severe weather events such as heat waves, droughts, wildfires, typhoons, and floods.

Global warming will lead to an increased risk of heavy precipitation and flooding at each of our operating sites. Future flooding potential under the RCP 8.5 warming 4.3°C scenario (2036-2065). According to the analysis, the location of the freshwater plants is not directly exposed to high hazard-vulnerable flooding sites under the base period, and there are no incidents of operational losses due to flooding at the plants, with the remaining production sites assessed to have no immediate risk.

4.4.6 Climate performance

Area 1: The total amount of direct carbon emissions in 2022 is not available for disclosure because the related inventory operation has not been established yet. However, we have arranged for an external organization to certify and will gradually establish the inventory operation and disclose it by the end of December 2025 in accordance with the law.

Area 2: Indirect emissions generated by the company's own use for purchased electricity, water, and steam.

Area 2	Total emissions (metric tons CO ₂ e)	Intensity metric tons CO ₂ e/ million (Note 2)	Confirmation Agency	Confirmation of information
Parent Company	3,198	625	NA	NA
Subsidiaries	Continuously built according to the law	Continuously built according to the law		
Total	3,198	625		

The CO₂ emission scenarios for the last two years for the total emissions in 2022 are as follows:

item	Unit	2022	2021
Purchased tap water	kg CO ₂	17,802	16,198
Purchased Power	kg CO ₂	2,629,188	2,608,723
Purchased heavy oil	kg CO ₂	317,078	259,143
Purchased natural gas	kg CO ₂	234,108	-
Total greenhouse gas emissions	kg CO ₂	3,198,176	2,884,064
Individual revenue	thousand dollars	5,110,732	3,835,476
CO intensity	CO / thousand dollars	0.6258	0.7519

Remark: The usage of natural gas started in October 2022.

(5) Water pollution prevention and control

Each of our plants is properly planned for wastewater treatment according to the characteristics of wastewater, so as to effectively manage and treat the produced wastewater. The Taoyuan and Guanyin plants in Taiwan are discharged to the Guanyin Industrial District Sewage System Operation Center for treatment after the wastewater is treated by the plant's wastewater system and confirmed to meet the standards of the Guanyin Industrial District Sewage System Operation Center. In order to effectively strengthen the control of wastewater, Mechema not only separates wastewater from sewage, but also installs an abnormal automatic power-off system in the wastewater treatment system to prevent unqualified wastewater from being discharged into the wastewater treatment plant.

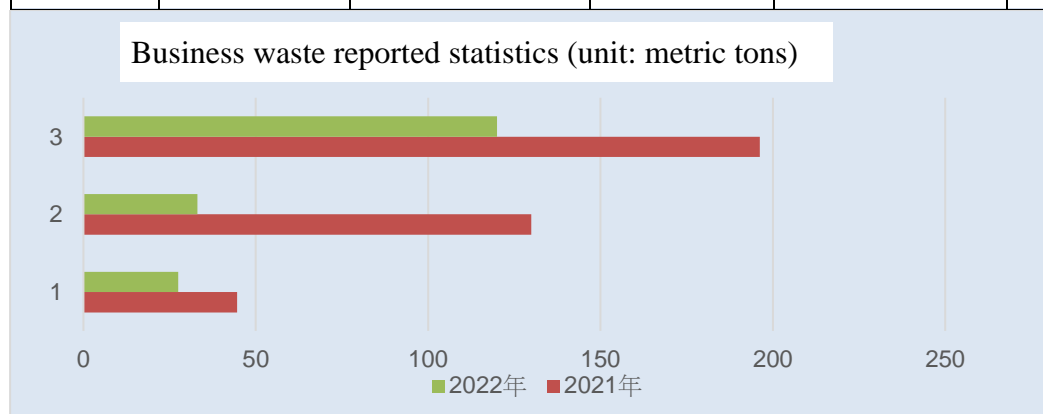
Year	Yearly handling cost (tons)	Yearly processing cost (\$)	Individual yearly production volume (tons)
2022	93,765	1,088,318	12,635
2021	84,220	928,723	13,852

(6) Waste management

Among the waste generated by the Company, general business waste dominates, with inorganic sludge being the most abundant. Waste management is based on the Environmental Protection Administration's classification regulations, and waste disposal is entrusted to a domestic licensed removal and treatment company, with the goal of recycling and reuse. There was no significant leakage in 2022 years in the cleaning process of the operation and disposal. The statistical chart of business waste declaration for the past two years is as follows

Business waste reporting statistics (unit: metric tons)

Year	Non-hazardous waste				Hazardous waste
	Domestic waste	Organic Sludge	Inorganic sludge	Waste cobalt-manganese catalyst	Waste liquid
2021	44.59	129.88	196.25	1,239.25	37.95
2022	27.525	33.03	119.95	661.57	10.46



(7) Environmental investment and expenditure

Environmental investment:

Unit: Thousands

Investment Equipment Type	Content	Amount of expenses
Energy saving, waste reduction and reuse	Recycling Equipment	4,912
Air pollution control	Waste gas treatment equipment	1,969
Total		6,881

Environmental Protection Expenses: Unit: Thousands

Waste disposal costs	2022	2021
Wastewater treatment costs	928	556
Sludge treatment cost	2053	3,786
Domestic waste cost	298	314
Total	3,279	4,656

Awarded: The first award from the Environmental Protection Administration, Executive Yuan (2 stars for the best evaluation of the Recycling Economy of Waste Resources)



(1) Losses due to environmental pollution in the last two years

Item \ Year	2022	2021	2021
	Waste Disposal Act Article 31, Paragraph 1, Subparagraph 1	Waste Disposal Act Article 31, Paragraph 1, Subparagraph 1	Waste Disposal Act Article 36, Paragraph 1
Unit of penalties	Environmental Protection Department	Environmental Protection Department	Environmental Protection Department
Content of violations	Excess of reported output	Reporting anomalies	Reporting anomalies
Amount of penalties	6,000	12,000	12,000
Total	6,000	12,000	12,000

(2) Improvements: Monthly self-management and data verification

(8) Safety, health, and disaster prevention control

Respect for life is a universal value, and workplace safety is a guarantee of workers' right to live and work, as well as the stability of human resources, social security, and economic development. The unfortunate occurrence of an occupational disaster that damages the safety of life and property is a major loss to workers, employers and society.

With the goal of "protecting the lives and safety of employees and zero disasters in operation", Meichima has adopted the following measures in its safety and health policy:

1. Implement education and training to raise employees' awareness of safety and health.
2. Promote substantive participation and integration into daily operations.
3. Implement the supervision and improvement system to continuously improve safety and health performance.
4. Comply with safety and health-related laws and regulations, and pay attention to environmental safety and labor health.

Operating Environment Inspection

Regularly implement various operating environment tests to reduce operating hazards and effectively prevent the possibility of occupational diseases in the plant. Furthermore, there are no cases of occupational diseases among our employees.

Project	Frequency
Operating environment measurements (sulfuric acid, manganese)	Half of a year
E. coli and heavy metal testing for drinking water dispensers	Weekly
Health checkups for in-service personnel and special operations	Yearly
Sulfur oxides, nitrogen oxides	5 years

(9) Toxic and chemical raw material control and usage

The Company has set up special staff to manage the raw materials and toxic chemical products listed as toxic chemical substances in accordance with relevant government policies. We also follow the "Toxic Chemical Substances Control Procedures" established by the Company. When the R&D department determines that a raw material or product is a toxic chemical, it immediately notifies the toxic control staff, production office, and sales office of the relevant measures. Toxic control personnel are set up in the computer system and are required to report to the Environmental Protection Bureau and toxic chemical substances-related reports on a monthly basis. In the production office, there is a special storage area for toxic chemicals, with employees educated to pay attention to safety and conduct disaster prevention drills for toxic chemicals every six months. In addition, we also take personal protection measures against toxic chemicals during production and directly input packaging materials to reduce the chance of contact with humans. The packaging of the products conforms to the Global Harmonized System (GHS) and the GHS label for hazardous chemicals is posted in accordance with the regulations of the Ministry of Labor, Executive Yuan. Once the toxic products are produced, we notify the sales unit and coordinate with the customer to ship the products, require the customer to obtain the relevant use license and permit, and then comply with the regulations on sales and transportation quantity control, all in conformity with government regulations.

(10) Occupational safety and health protection

The following table shows the injury rate, occupational disease rate, lost work days rate, absenteeism rate, and the number of work-related fatalities for the categories of injuries to employees for occupational safety and health:

Year	Actual number of hours invested	Injury Rate	Occupational disease rate	Number of lost work days	Absence rate	Deaths on duty
2022	105,517	-	-	-	0.12%	-
2021	107,349	-	-	-	0.30%	-

5. Labor Relations

(1) Employee benefit measures, retirement systems, implementation, as well as agreements between employers and employees

1. Employee benefits measures:

- A. Employee insurance: Appliance for employee labor insurance and health insurance according to the law.
- B. Accident insurance: All employees are entitled to 3 million dollars of group accident insurance and life insurance, and 10 million dollars of accident insurance for all employees, overseas staff, and business travel staff.
- C. Year-end bonuses will be paid depending on the company's operating conditions.
- D. Staff Travel: The Welfare Committee regularly organizes domestic travel every year and overseas travel every two years for employees to relax and unwind, with subsidies provided to encourage employees to bring their family members to participate.
- E. Employee education and training: Optional courses necessary for your professional field or career development.
- F. The Staff Benefits Committee provides benefit programs.

In order to meet the welfare needs of employees and provide good labor conditions to promote labor harmony, the Company has established an employee welfare committee in accordance with the law, with members from various departments of the Company, which holds regular meetings to establish various welfare policies and handle employee welfare business.

Staff Welfare Committee provides welfare programs

- | | |
|---|---|
| 1. Marriage subsidy | 6. Employee travel subsidy |
| 2. Fertility subsidy | 7. Education subsidy for employees and children |
| 3. Three festivals gift
(Labor Day, Dragon Boat Festival, Mid-Autumn Festival) | 8. Employee gathering |
| 4. Birthday gift | 9. Senior supplement |
| 5. Death payment | 10. Consolation money for hospitalization |

G. Promoting Gender Equality.

In accordance with the Gender Equality Act and work rules, employees are granted physiological leave, maternity leave, maternity examination leave, paternity leave, employee childcare leave and family care leave. In order to allow employees to take care of both personal and family care needs, when employees need to take a longer leave in case of military service, childcare, major injuries or illnesses, they can also apply for leave without pay and return to work at the end of the period, with the aim to take into consideration the employees' special conditions.

H. Staff physical examination.

The company cooperates with regional hospitals to provide health checkups for general and special workers every year so that medical conditions can be detected and treated as early as possible.

In order to maintain the work environment and the safety of employees, the company has established the "Safety and Health Code of Practice", "Hazard Awareness Plan" and "Factory Emergency Response Plan Management Regulations" in accordance with the Occupational Safety and Health Act, and provided safety protection measures at the workplace, such as safety shoes, helmets, goggles, protective masks, activated carbon masks, acid alkali resistant gloves, aprons, and overalls to the field operators. Safety and health training are also offered to new and existing employees, including training on abnormal causes, special operation safety, chemical awareness, fire drills, emergency disaster response, etc. to raise employees' awareness of safety and disaster response in order to prevent the occurrence of disasters.

In addition to meeting the needs of the current regulations and enhancing the safety awareness of employees, for the insurance of the safety of all personnel entering the operation area, manufacturers are required to fill out a manufacturer's application form for entering the factory, which regulates that they should comply with the various safety regulations in the factory, and that they are strictly prohibited from starting fire-related matter on their own. In addition, they must apply for a hot work permit during construction. To control and reduce the risk effectively, to ensure the safety of personnel and equipment with social and community commitment in the neighborhood.

I. Other Benefits

With the goal of sustainable management and development, the company encourages its employees to identify with the company's management philosophy and maintain their employment on a long-term basis. Therefore, at the end of each year, the company honors its long-tenured employees by publicly presenting them with commemorative plaques in recognition of their hard work and achievements for the company. Special benefits such as mid-shift snacks, summer beverages, high-temperature allowance, vehicle allowance, interest-free loans for employees to purchase homes, salary advance for employees, improved on-site office and dining environment for employees, speech bonuses, full-cover helmets for employees who ride to and from work, and cold-weather protection devices during cold weather.

(2) Retirement and pension implementation

In accordance with the Labor Standards Law, the Company established the "Labor Pension Fund Supervisory Committee" to make monthly contributions to employees' pension funds under the old system and the new system applicable to employees who started working after January 7, 2005. The old system pension fund is transferred to the retirement reserve account of the Bank of Taiwan, while the new system pension fund is transferred to the personal account of the employees of the Labor Insurance Bureau. In addition to those employees who meet the retirement requirements under the Labor Standards Law, employees who meet the requirements for preferential retirement under the Labor Retirement Law may apply for preferential retirement after approval.

In the event of injury or death in the line of duty, the employees and their families will be given a pension in accordance with the "Regulations of Employees Pension".

- (3) Agreements between employers and employees: There were no labor-management incidents at Mechemia during the year-end.

- (4) Staff training and training system and implementation status

Employees are the most important assets of the company and the cornerstone of the company's sustainable operation. In order to improve the quality of our employees and to enrich their work skills and knowledge of safety and hygiene, we have established internal staff education and training programs to implement various functional trainings for employees. Each unit plans internal or external training courses that would adjust accordingly to its business needs every year.

1. Pre-employment training for new employees: including an introduction to the company organization, operation system, and system operation, job description, professional knowledge training and transmission, etc.
2. The Company has established the "Employee Education and Training Regulations" for consultation and compliance by employees. Each year, internal or external training courses are planned according to the training needs, so that employees can combine their own ability development and interests to maximize the learning effect:
 - (1) Internal training section: training at headquarters.
 - (2) External training section: training in domestic and foreign professional training institutions, depending on the content of the training to sign a letter of consent to training or extended service cut-off letter.
3. The statistics and expenses of the Company's employees' training and education in 2022 are as follows:

Item	Number of shifts	Total People	Total hours	Total fees (in thousand)
Newcomer Training	13	13	32	0
Professional Training	10	40	55	16
Supervisory Training	3	3	12	4
General Training	0	0	0	0

(5) The existence of a code of ethics for the evaluation of employee behavior

In order to ensure harmonious labor relations, strengthen the core values of the company, and achieve sustainable business development, the Company not only strengthens employee benefits and training but also implements a retirement system in accordance with the law. In view of the fact that the operation of an enterprise must be built on the basis of integrity, the Company has established "work rules" and various management regulations under the consideration of internal control on the moral and ethical conduct of employees. Therefore, we have established "work rules" and various management regulations under internal control, which stipulate that both employees and employers should be committed to the establishment of corporate ethics and professional ethics, so that employees can clearly understand their ethics or the code of ethics to be followed.

(6) Work environment and employee safety protection measures

In order to maintain the work environment and the safety of employees, our company has established various management procedures and methods such as "Safety and Health Code of Practice" and "Protection Plan" in accordance with ISO 9001 international quality assurance system and requires our employees to maintain regular maintenance of fire safety, machines and equipment to maintain normal operation and avoid machine and equipment malfunctions. We also arrange regular health checkups for our employees every year to ensure their personal safety.

For the most recent year and up to the printing date of the annual report, the Company has suffered losses due to labor disputes, and discloses the estimated amount of current and potential future losses and measures to address them.

The Company's labor relations are very harmonious and there have been no labor disputes. The Company attaches great importance to employee welfare and will continue to improve employee welfare measures and create a good working environment to maintain harmonious labor relations.

6. Information Communication Security Management

(1) Information Security Policy

In order to strengthen information security management, establish information security risk management, ensure the security of data, systems and information, as well as protect the rights and interests of customers in accordance with CE-101, CE-107, CE-110 and CE-111, the Company has established this policy as the basis for implementing various information security measures in accordance with the guidelines for handling internal control systems of public companies.

1.Division of functions and responsibilities of CE-101 information processing department

A. The Information Unit shall perform its duties from a position of supreme independence and shall not overstep the limits of unauthorized matters.

B. Whether the information unit and the user unit are when the division of authority.

2.CE-107, safety control of files and equipment

A. Regularly check the security and protection equipment of the computer room

B. Conduct regular safety drills to familiarize information unit personnel with the operation of various safety equipment

3.CE-110, system recovery plan system

A. The system recovery plan is clearly defined and documented that whether the audit department is involved in the development process or the recovery process is tested periodically.

B. Periodic backups of important program files.

4.CE-111, the control operation of information security inspection

A. The mail server is equipped with a firewall and anti-virus software to isolate external infringement.

B. The information personnel regularly review the mail receiving and sending situation on the server, and if there is any abnormal condition, they should report to the responsible supervisor for handling.

(2) List the losses, possible impacts and responses to major information security incidents in the most recent year and up to the date of printing of the annual report, and if it cannot be reasonably estimated, state the fact that it cannot be reasonably estimated: The current information security policy is a prevention, and the latest anti-virus version is updated every year since it has not yet occurred and the amount of loss cannot be estimated.

(3) Report to the Board of Directors on an annual basis on its operations as follows.

Term/Date	Communication	Communication Results
The 1st - 10th 2022.5.6	Information Security Policy	None

7. Important contracts

Nature of Contract	Parties	Dates of commencement of contract	Main content	Restricted Terms
Purchasing Contracts	Company A	2023.01~2023.4	Cobalt Metal	None
Purchasing Contracts	Company N	2023.05~2024.3	Cobalt Metal	None
Purchasing Contracts	Company S	2023.01-2023.12	Nickel Metal	None
Purchasing Contracts	Company B	2023.01-2023.06	Bromic acid	None
Purchasing Contracts	Company L	2023.01-2023.06	Cobalt Metal	None

Chapter 6. Financial Overview

1. Condensed Financial Information for the Last Five Years

(1) Condensed balance sheet and consolidated income statement information - Adoption of IFRSs

1. Condensed Balance Sheet (Consolidated) - IFRS

Unit: NTD thousand

Year		Financial information for the last five years (Note 1)					For the year ended at March 31, 2023
Item		2,022	2,021	2,020	2,019	2,018	Financial Information (Note 1)
Current asset		1,965,459	1,931,623	1,073,003	1,465,917	1,725,556	1,533,402
Property, plant, and equipment		360,949	321,756	320,674	322,210	342,903	356,614
Intangible asset		1,281	1,281	1,281	1,281	1,281	1,281
Other asset		175,374	190,092	181,756	213,033	219,712	154,550
Total asset		2,503,063	2,444,752	1,576,714	2,002,441	2,289,452	2,045,847
Current liabilities	Before distribution	996,432	1,058,994	408,789	767,007	1,047,620	946,785
	After distribution	(Note 3)	774,046	304,558	584,040	837,658	Note 2
Non-current liability		5,421	4,372	3,403	4,530	5,995	5,421
Total liabilities	Before distribution	1,001,853	1,063,366	412,192	771,537	1,053,615	952,206
	After distribution	(Note3)	778,418	307,961	588,570	843,653	(Note 3)
Equity attributable to owners of the Company		1,501,210	1,381,386	1,164,522	1,230,904	1,235,837	1,093,641
Capital		749,863	749,863	749,863	749,863	749,863	749,863
Capital reserve		24,825	24,825	24,825	24,825	24,825	24,825
Reserved	Before distribution	825,050	727,276	471,296	530,882	521,952	416,994
	After distribution	(Note3)	442,328	367,065	347,915	311,990	Note 2
Earnings		(98,508)	(120,578)	(81,462)	(74,666)	(60,803)	(98,041)
Other equities		(98,508)	(120,578)	(81,462)	(74,666)	(60,803)	(98,041)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Equities	Before distribution	1,501,210	1,381,386	1,164,522	1,230,904	1,235,837	1,093,641
	After distribution	(Note3)	1,096,438	1,060,291	1,047,937	1,025,875	Note 2
Total		(Note3)	1,096,438	1,060,291	1,047,937	1,025,875	Note 2

[Note1] The above information has been audited and cleared by the CPAs.

[Note2] The financial information for the first quarter of 2023 was audited by a CPA.

[Note3] The appropriation of earnings for 2023 has not yet been approved by the shareholders' meeting.

2. Condensed Balance Sheet (Individual) - Adoption of IFRS

Unit: NTD thousand

Year		Financial information for the last five years (Note 1)				
Item		2022	2021	2020	2019	2018
Current asset		1,199,798	1,168,796	394,851	833,949	1,092,045
Property, plant, and equipment		253,191	246,192	234,718	240,070	250,724
Intangible asset						
Other asset		1,016,738	980,734	920,874	908,544	909,722
Total asset		2,469,727	2,395,722	1,550,443	1,982,563	2,252,491
Current liabilities	Before distribution	963,096	1,009,964	382,518	747,129	1,010,659
	After distribution	(Note 2)	725,016	278,287	564,162	800,697
Non-current liability		5,421	4,372	3,403	4,530	5,995
Total liabilities	Before distribution	968,517	1,014,336	385,921	751,659	1,016,654
	After distribution	(Note 2)	729,388	281,690	568,692	806,692
Capital		749,863	749,863	749,863	749,863	749,863
Capital reserve		24,825	24,825	24,825	24,825	24,825
Reserved	Before distribution	825,030	727,276	471,296	530,882	521,952
Earnings	After distribution	(Note 2)	442,328	367,065	347,915	311,990
Other equities		(98,508)	(120,578)	(81,462)	(74,666)	(60,803)
Treasury stock		-	-	-	-	-
Equities	Before distribution	1,501,210	1,381,386	1,164,522	1,230,904	1,235,837
Total	After distribution	(Note 2)	1,096,438	1,060,291	1,047,937	1,025,875

[Note 1] The above information has been audited and certified by accountants.

[Note 2] The appropriation of earnings for 2022 has not yet been approved by the shareholders' meeting.

3. Condensed Consolidated Statements of Income (Consolidated) - Adoption of IFRSs

Unit: NTD thousand

Year Item	Financial information for the last five years(Note1)					For the year ended at March 31, 2023 Financial Information (Note2)
	2022	2021	2020	2019	2018	
Operating revenue	5,271,498	4,126,416	2,234,584	3,314,587	4,917,081	638,694
Gross profit	510,760	551,414	263,565	349,418	334,877	31,482
Operating profit	361,964	417,068	151,426	231,725	216,739	(2,056)
Non-operating gains and losses	119,306	43,257	9,632	45,680	83,967	(59,941)
Net income before income tax of continuing operation	481,270	460,325	161,058	277,405	300,706	(61,997)
Net income (loss)	381,325	360,634	123,268	218,871	244,138	(63,099)
Other comprehensive income (net after tax) for the period	23,447	(39,539)	(6,683)	(13,863)	(10,727)	467
Total comprehensive income for the period	404,772	321,095	116,585	205,029	233,411	(62,632)
Net income attributable to owners of the parent company	381,325	360,634	123,268	218,871	244,138	(63,099)
Net income attributable to non-controlling interests	-	-	-	-	-	.
Total comprehensive income or loss attributable to owners of the Company	404,772	321,095	116,585	205,029	233,411	(62,632)
Total comprehensive income and loss attributable to non-controlling interests	-	-	-	-	-	.
Earnings per share	5.09	4.81	1.64	2.92	3.26	(0.84)

[Note1] The above information has been audited and certified by accountants.

[Note2] The financial information for the first quarter of 2023 was reviewed by CPAs.

[Note3] The appropriation of earnings for 2022 has not yet been approved by the shareholders' meeting.

4. Condensed Consolidated Statements of Income (Individual) - Adoption of IFRSs

Unit: NTD thousand

Year Analysis Item	Last five years' financial information (Note 1)				
	2022	2021	2020	2019	2018
Operating revenue	5,110,732	3,835,476	1,929,513	3,078,079	4,740,120
Gross profit	419,503	372,261	156,716	285,005	299,218
Operating profit	335,273	284,467	99,042	218,071	213,157
Non-operating gains and losses	142,788	141,944	49,546	51,669	84,580
Net income (net loss) before income taxes	478,061	426,411	148,588	269,740	297,737
Profit or loss of continuing business units	381,325	360,634	123,268	218,871	244,138
Profit or loss from discontinued operations		-	-	-	-
Net income (net loss)	381,325	360,634	123,268	218,871	244,138
Total consolidated profit or loss for the period	404,772	321,095	116,585	205,029	233,411
Other comprehensive income or loss for the period	23,447	(39,539)	(6,683)	(13,842)	(10,727)
Total consolidated profit or loss for the period	404,772	321,095	116,585	205,029	233,411

[Note1] The above information has been audited and certified by accountants.

[Note2] The appropriation of earnings for 2022 has not yet been approved by the shareholders' meeting.

(2) The names of the accountants and their audit opinions for the last seven years

Year	CPA Firm	Certified Public Accountant	Audit Opinions	Comments
2016	Deloitte & Touche	Lai Guan-Zhong, Zhen De Zhen	Unqualified opinion	-
2017	Deloitte & Touche	Shi Jin-Chuan, Zhen De Zhen	Unqualified opinion	-
2018	Deloitte & Touche	Shi Jin-Chuan, Zhen De Zhen	Unqualified opinion	-
2019	Deloitte & Touche	Shi Jin-Chuan, Zhen De Zhen	Unqualified opinion	-
2020	Deloitte & Touche	Shi Jin-Chuan, Xu Jin-Ming	Unqualified opinion	-
2021	Deloitte & Touche	Shi Jin-Chuan, Chiu Yung-Ming	Unqualified opinion	-
2022	Deloitte & Touche	Shi Jin-Chuan, Chiu Yung-Ming	Unqualified opinion	-

Note: Reasons for changing accountants in the last seven years:

In 2021, due to the adjustment of the internal management establishment of the appointed CPA firm, the CPA, Shi Jin-Chuan, was changed to Chiu Yung-Ming, CPA.

For the year ended December 31, 2020, the CPA was changed from Lai Guan-Zhong to Xu Jin-Ming due to the adjustment of the internal management establishment of the appointed firm.

For the year ended December 31, 2017, the CPA was changed from Lai Guan-Zhong to Shi Jin-Chuan due to the adjustment of the internal management establishment of the appointed CPA firm.

2. Financial analysis of the last five years

1. Financial Analysis (Consolidation) - Adoption of IFRS

Year (Note 2)		Last five years' financial information					For the eat ended at March 31, 2023
Analysis Items		2022	2021	2020	2019	2018	
Financial Structure (%)	Liability to assets ratio	40.03	43.50	26.14	38.53	46.02	46.54
	Long-term capital to property, plant and equipment ratio	415.91	429.33	363.15	382.02	360.4	306.67
Solvency (%)	Mobility Ratio	197.25	182.40	262.48	191.12	164.71	161.96
	Quick Ratio	127.81	116.68	185.9	127.11	110.99	108.58
	Interest cover multiplier	36.92	76.60	35.06	42.19	31.68	-11.55
Operating ability	Receivables turnover rate (time)	6.85	7.23	6.91	7.24	9.51	4.03
	Average number of days to collect receivables	53	50.00	53	50	38	91
	Inventory turnover rate (time)	8.19	9.87	6.62	7.25	7.87	4.02
	Turnover rate of accounts payable (time)	94.47	62.55	41.08	55.47	54.88	14.22
	Average selling days	45	37.00	55	50	46	91
	Property, plant and equipment turnover rate (time)	14.6	12.82	6.97	10.29	14.34	1.79
	Total Asset Turnover (time)	2.11	1.69	1.42	1.66	2.15	0.31
Profitability	Return on Assets (%)	15.86	18.19	7.78	10.45	10.99	-2.6
	Return on Shareholders' Equity (%)	26.46	28.33	10.29	17.75	20.19	-4.86
	Net income before income tax as a percentage of paid-in capital (%)	64.18	61.39	21.48	30.9	40.1	-8.27
		7.23	8.74	5.52	6.6	4.97	-9.88
	Net profit rate (%)	5.09	4.81	1.64	2.92	3.26	-0.84
Cash Flow	Cash flow ratio (%)	35.66	-29.85	92.37	55.3	42.34	48.15
	Cash flow fair ratio (%)	81.45	37.04	66.78	59.56	48.25	81.45
	Cash reinvestment ratio (%)	4.71	-30.65	16.9	12.67	15.28	10.37
Leverage	Operating leverage	1.09	1.05	1.2	1.51	1.55	-15.31
	Financial leverage	1.04	1.01	1.03	1.03	1.05	0.29

- 1 Decrease in interest coverage multiple by 52%: Mainly due to higher interest expense.
- 2 Payables turnover rate (times) increased by 51%; mainly higher inventory value resulted in higher cost and spare parts payable
- 3 45% increase in average sales days; mainly due to higher inventory
- 4 Total asset turnover (sub) increased by 25%: mainly due to the increase in revenue.
- 5 Cash flow ratio (%) decreased by -219%: mainly due to the increase in cash flow from operating activities.
- 6 Cash flow equivalency ratio (%) 120%: Mainly due to the decrease in cash dividends and the increase in spare parts + receivables.
- 7 Cash reinvestment ratio (%) decreased by -115%: mainly due to the decrease in liabilities.

2. Financial Analysis (Individual) - Adoption of IFRS

Year		Last five years' financial information				
Analysis Items		2022	2021	2020	2019	2018
Financial Structure (%)	Debt to assets ratio	39.22	42.34	24.89	37.91	45.13
	Long-term capital to property, plant and equipment ratio	592.92	561.1	496.14	512.73	492.91
Solvency (%)	Mobility Ratio	124.58	115.73	103.22	111.62	108.05
	Quick Ratio	90.33	66.39	65.72	73.8	83.29
	Interest cover multiplier	36.68	71.03	32.43	41.05	31.38
Operating ability	Receivables turnover rate (time)	15.31	11.74	11.67	8.59	9.63
	Number of days to collect receivables	24	31	31	42	38
	Inventory turnover rate (time)	14.26	16.9	12.45	13.77	14.54
	Average days to sell	26	22	29	27	25
	Property, plant and equipment turnover rate (time)	20.19	15.58	8.22	12.82	18.91
	Total Asset Turnover (time)	2.07	1.6	1.24	1.55	2.1
Profit ability	Return on Assets (%)	16.12	18.52	7.19	9.94	10.68
	Return on Shareholders' Equity (%)	26.46	28.33	10.29	16.62	19.3
	Net income before income tax as a percentage of paid-in capital (%)	63.75	56.87	19.82	35.97	39.71
	Net profit rate (%)	7.46	9.4	6.39	8.76	5.15
	Earnings per share (NTD)	5.09	4.81	1.64	2.92	3.26
Cash Flow	Cash flow ratio (%)	42.41	-44.34	89.94	65.91	35.21
	Cash flow fair ratio (%)	66.48	24.55	68.82	67.66	32.01
	Cash reinvestment ratio (%)	8.2	-39.87	13.8	22.91	12.57
Leverage	Operating leverage	1.25	1.31	1.58	1.31	1.4
	Financial leverage	1.04	1.02	1.01	1.03	1.05

1. Quick ratio up 36% mainly due to lower prepayments
2. Interest coverage multiple -48%: Mainly due to the increase in pre-tax profit and loss + interest.
3. Receivables turnover rate (time) 30% Mainly due to the increase in accounts receivable and sales
4. Receivables -23% Mainly due to the increase in accounts receivable and sales
5. Property, plant, and equipment turnover (time) increased by 30%: mainly due to the increase in revenue.
6. Total asset turnover (time) increased by 29%: mainly due to the increase in revenue.
7. Net income ratio (%) - 21%: Mainly due to the increase in revenue and net income after tax.
8. Cash flow ratio decreased by 196%: mainly due to the increase in cash flow from operating activities.
9. Cash reinvestment ratio (%) 171%: Mainly due to the increase in current assets and cash flow.
10. Operating leverage -121%: Mainly due to the increase in current assets and cash flow.

1. The Company's Key Performance Indicators

(1) Financial Indicators

Meaning: To optimize the financial structure, and solvency of enterprises and to control the restrictions of bank financing contracts.

Ratio Formula	Target KPI	2022	2021
(1) Liability ratio Liability/shareholders' equity	<100%	66.74%	76.98%
(2) Current ratio Current assets/current liabilities	>100%	197.25%	182.40%
(3) Interest coverage multiplier Net interest before interest tax/interest expense	>50	36.92%	0.77

(2) Performance indicators

Meaning: The control of staff and expenses and the creation of efficiency and profit.

Ratio Formula	Target KPI	2022	2021
(1) Productivity and efficiency indicators Revenue/year-end employees (million)	20,000	43,566	34,103
(2) R&D efficiency indicators Revenue/R&D expenses (in thousands)	200	365	366

3. Audit Committee on the Audit of the Latest Annual Financial Report

Audit Committee Audit Report

The Board of Directors has audited the financial statements (including the consolidated financial statements) and the proposed distribution of earnings of the Company for the year ended December 31, 2022. The financial statements (including the consolidated financial statements) have been audited by CPA Shi Jin-Chuan and CPA Chiu Yung-Ming from Deloitte & Touche Firm, both of whom are certified public accountants, and we have issued an audit report thereon. Upon examination of the aforementioned business report, financial statements (including consolidated financial statements) and proposal for distribution of earnings, the Audit Committee concluded that there were no discrepancies and hereby report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Mechema International Group

Convenor of the Audit Committee: Lee Meng-Xiu

March 22, 2023

4. Latest Consolidated Financial Statements of the Parent Company and Subsidiaries Audited and Certified by CPAs: Please refer to pages 96 to 158.
5. Latest Individual Financial Statements Audited and Certified by CPAs: Please refer to pages 196 to 222.
6. If the Company and its affiliates had financial difficulties in the last two years and as of the printing date of the annual report, the impact on the Company's financial position should be stated: None
7. Evaluation basis and foundation for the presentation of asset and liability evaluation accounts

(1) Accounts receivable

- a. To enable timely assessment of the probability of collection of accounts receivable and to ensure the fair value of accounts receivable.
- b. The amount of allowance for doubtful accounts is based on the number of accounts receivable *withdrawal rate. The amount of overdue accounts receivable is calculated based on the overdue receivable date.

Overdue Amount Days Range	Withdrawal ratio	
	Non-related parties	Affiliates
0-30 days	1%	1%
30-90 days	1%	1%
31-180 days	1%	1%
181-365 days	50%	50%
More than 365 days	100%	100%

(2) Inventory

Inventories are stated at the lower cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories in the same category. Net realizable value is the estimated selling price under normal circumstances less costs and selling expenses to be incurred to completion. The weighted-average method is used to calculate the cost of inventories.

8. Accounting for asset impairment:

In accordance with GAAP, when there is an indication of asset impairment, the Company is required to conduct an impairment assessment. The timing of the assessment is based on the assessment made at that time with respect to the operating results of future years. The Company has established the relevant system for strict management and no impairment has occurred in the year 2021.

9. The Company's personnel involved in the transparency of financial information have obtained the relevant licenses designated by the competent authorities as follows:

1. International internal auditor's license: 0 in the administration department: 0 in the audit department
2. Basic Competency Test on Corporate Internal Control held by SFI Taiwan: 0 members from Audit Office
3. R.O.C Internal auditors.: 0 in the audit department: 0 in the administration department
4. R.O.C. Accountants: 0 in the administration department
5. R.O.C. Bookkeeper: 1 person in the administration department

Chapter 7. Review and analysis of financial status and financial performance and risk management

I. Financial position:

(1) Comparative analysis of the financial performance

Year	2022	2021	Differences	
Current assets	1,965,459	1,931,623	33,836	2%
Investments using the equity method	112,074	127,060	(14,986)	-12%
Property, plant and equipment	360,949	321,756	39,193	12%
Non-current assets	537,604	513,129	24,475	5%
Total Assets	2,503,063	2,444,752	58,311	2%
Current liabilities	996,432	1,058,994	(62,562)	-6%
Non-current liabilities	5,421	4,372	1,049	24%
Total liabilities	1,001,853	1,063,366	(61,513)	-6%
Capital	749,863	749,863	0	0%
Other equities	(98,508)	(120,578)	22,070	-18%
Retained earnings	825,030	727,276	97,754	13%
Total shareholders' equity	1,501,210	1,381,386	119,824	9%

Unit: NTD thousand

- 1 The increase in current assets of \$33,836 thousand was mainly due to the increase in operating revenues, which resulted in a simultaneous increase in the provision and trade receivables.
- 2 Investments accounted for under the equity method - \$14,986 thousand, mainly due to the loss of investments in related parties.
- 3 The increase in property, plant and equipment of \$39,193 thousand was mainly due to the increase in assets of subsidiaries.
- 4 The increase in non-current assets was mainly due to the increase in property, plant and equipment and the decrease in investments accounted for using the equity method.
- 5 The increase in total assets of \$58,311 thousand was mainly due to the simultaneous increase in spare parts and trade receivables as a result of the increase in revenue.
- 6 Non-current liabilities increased by \$1049 thousand, mainly due to the increase in deferred income tax liabilities.
- 7 Total liabilities - \$61,513 thousand, mainly due to the decrease in borrowings.
- 8 Other equity of \$22,070 thousand, mainly due to the appreciation of the U.S. dollar.
- 9 Retained earnings increased by \$97,754 thousand, mainly due to the increase in profit for the period.
- 10 The increase in shareholders' equity of \$119,824 thousand was mainly due to the increase in profit for the period.

2. Financial performance:

(1) Comparative financial performance analysis

Unit: NTD thousand

Year	2022	2021	Amount of increase (decrease)	Change ratio %
Item	Amount	Amount		
Net operating revenue	5,271,498	4,126,416	1,145,082	28%
Operating costs	4,760,738	3,575,002	1,185,736	33%
Gross profit	510,760	551,414	(40,654)	-7%
Realized gain on sales (unrealized)	(6,314)	0	(6,314)	-
Realized gross operating profit	0	5,016	(5,016)	-100%
Operating profit	361,964	417,068	(55,104)	-13%
Non-operating income and expenses	119,306	43,257	76,049	176%
Net income before tax	481,270	460,325	20,945	5%
Income tax expense	99,945	99,691	254	0%
Net income after tax for the period	381,325	360,634	20,691	6%

1 The increase in net operating income was mainly due to higher quoted raw materials and increased market demand.

2 The increase in operating costs was mainly due to higher quoted raw materials and increased market demand.

3 The decline in gross profit was mainly due to too high fluctuations in raw materials.

4 The decrease in net profit was mainly due to the high fluctuation of raw materials.

5 The increase in non-operating income and expenses was mainly due to the increase in foreign exchange gain.

6 The increase in net income before tax was mainly due to the increase in profit.

7 The increase in net income after tax for the period was mainly due to higher quoted raw materials and increased market demand.

(2) Expected sales volume and its basis

Products	Tons of Sales
Oxidation catalyst	30,553
Battery material related raw materials	2,366
Total	32,919

1 Expected sales volume

2. Sales basis:

The above sales estimates are based on the Company's knowledge and forecast of customer demand and the Company's production capacity.

3. The possible impact of future financial operations and the responding plan:

The Company is financially healthy, the downstream PTA industry has been stable, and the demand for the battery material business has increased in tandem with the lessening of the pandemic, thus showing a positive impact on the Company's finances.

3. Cash flow:

Explanation of changes in cash flow

(1) Analysis of changes in cash flows for the most recent year

Year	2022	2021	Increase (decrease) ratio
Item			
Cash flow ratio	35.66%	-29.85%	66%
Cash flow fair value ratio	81.45%	37.04%	44%
Cash reinvestment ratio	4.71%	-30.65%	35%
Analysis of changes in the percentage of increase or decrease:			
1. The increase in cash flow ratio for the year was mainly due to the increase in cash flow from operating activities.			
2. Increase in cash flow equivalents: Increase in cash dividends and provisions + receivables.			
3. Cash reinvestment ratio increased: mainly due to the decrease in liabilities.			

(2) Cash flow analysis for the coming year:

Unit: NTD thousand

Beginning cash balance	Estimated full year net cash flow from operating activities	Estimated year cash outflow	Estimated cash surplus (deficiency) amount + -	Estimated cash shortfall of measurements	
				Investment Plan	Financing Plan
366,480	456,000	453,000	369,480	-	-

Cash flow analysis:

(1) Operating activities: Operating activities generated a net cash inflow of \$456,000 thousand due to stable profitability for the year.

(2) Investing activities: The net cash outflow from investing activities was \$453,000 thousand due to the expected purchase of machinery and equipment.

4. The impact of significant capital expenditures on financial operations in recent years

(1) Major capital expenditures and sources of funds

Unit: NTD thousand

Planned Projects	Actual or Expected Source of Cash	Actual or expected completion date	Total amount required	Actual or intended use of funds	
				2023	2023
Equipment	Self-own funds + bank loans	2023.12	30,000-	30,000-	30,000-

(2) Estimated potential benefits: None

5 Recent year's investment policy, main reasons for profit or loss, improvement plans, and investment plans for the coming year.

- Overview of the investee company: Details on page of this annual report.
- Transferring investment policy, cooperating with customers to establish overseas production sites, and expanding orders due to industry and product relations.
- 2023 Losses were recorded in Malaysia, Korea, Thailand, and the U.S., while all other subsidiaries made profits.
- Investment plans for the coming year to increase the Company's production capacity in line with the expansion of production by customers are still under evaluation.

6. Risk management analysis for the most recent year and up to the date of printing of the annual report:

- (1) The impact of changes in interest rates, exchange rates, and inflation on the Company's profit or loss and future responding measures:

1. Impact on the Company's profit or loss:

Item	2022 (NTD thousand; %)
Net interest received (paid)	(6,561)
Net exchange gain or loss	(1,569)
Net interest income (expense) to net operating revenues	-0.12%
Net interest income (expense) to net income before income tax	-1.36%
Net exchange gain or loss as a percentage of net revenue	-0.03%
Net exchange gain or loss as a percentage of net income before income tax	-0.33%

(1) Interest rate changes

The consolidated company reports a 0.5% increase or decrease as a reasonable risk assessment to management for changes in interest rates. If all other conditions remained unchanged, and without considering the capitalization of interest, a 0.5% increase in interest rates would have reduced the Consolidated Company's income before income taxes by \$2,026 thousand and \$946 thousand for 2022 and 2021, respectively.

(2) Change in the exchange rate

The Company's administration department conducts long-term observation and judgment on the movements and trends of exchange rates and collects economic data such as the USD, THB, RMB, IDR and KRW from time to time. In the future, the company is required to hedge the difference to reduce foreign exchange losses.

(3) Inflation

In recent years, the inflation rate in Taiwan is about 2%, and The Company's raw materials are mainly imported from abroad. If the amount of domestic purchases in 2022 is about \$4.9 billion, for example, a 1% increase in the inflation rate will increase the Company's annual expenses by about \$49,138 thousand.

2. Future measures:

(1) Measures in response to changes in interest rates

The Consolidated Company is exposed to interest rate fluctuations due to bank deposits and variable-rate borrowings. The consolidated Company's current policy is to maintain floating rate borrowings to reduce the risk of interest rate fluctuations and currently does not operate interest rate hedging instruments. The management of the consolidated Company monitors interest rate risk on a regular basis and will consider necessary measures to manage the risk arising from changes in market interest rates if necessary for significant interest rate risk.

(2) Measures in response to changes in exchange rates

The Company has sufficient working capital and greater flexibility in its financial operations to respond to the risk of interest rate changes. For changes in exchange rates, the Company has established a risk assessment team, which, in addition to adopting dynamic natural hedging, selects better exchange points for loan modification or foreign exchange repayment to hedge the risk of exchange rate changes.

(3) Inflationary measures

The company's biggest competitive advantage is the recycling of self-produced products, which are less affected by international prices because the prices are calculated by formula. In response to the effects of inflation, the Company will continue to promote various solutions to reduce costs through market transfer and process improvement with the spirit of being money-conscious.

- (2) The policies of engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement and guarantee, and derivative transactions, the main reasons for profits or losses, and future responding measures:

As of the date of the annual report, the Company has not engaged in high-risk and high-leverage investments, except for conservative fixed-income investments, and has endorsed guarantees for

subsidiaries due to business needs.

(3) Future research and development plans and estimated research and development costs:

1. Future research projects:

(1) Short-term plans:

A. Improve the quality of existing products in response to customer needs.

B. Improve the existing manufacturing process to produce products with different physical specifications.

(2) Medium- and long-term plans:

A. Development of raw material recycling for the electronics industry.

B. Development of new technologies and processes for the recovery of cobalt and manganese metals to improve recovery yields, efficiency, and quality.

2. Estimated investment in R&D:

At present, the company has collected complete data from industrial research institutes and university professors in Taiwan. It is expected that all future R&D expenses will be about \$15,000,000, and the proportion of revenue will gradually increase in the future.

(4) The impact of significant changes in domestic and foreign policies and laws on the Company's financial operations and the measures to address them. The impact of significant domestic and foreign policy and legal changes on the Company's financial operations and the corresponding measures: None.

(5) The impact of technological changes and industry changes on the Company's financial operations and the corresponding measures: None.

(6) Impact of corporate image change on corporate crisis management and response measures: If the Company encounters a situation that threatens its corporate image, it will establish a response team and take necessary actions to respond to it.

(7) Expected benefits and possible risks associated with the merger and acquisition and the measures to address them: Not applicable.

(8) Expected benefits of plant expansion and possible risks and responses: Please refer to the page on the impact of significant capital expenditures on financial operations in the most recent year.

(9) Risks associated with concentrations of imports or sales and measures to address them: None.

(10) The impact on the Company and the risk and response measures of a significant transfer or change of ownership of directors, supervisors, or substantial shareholders holding more than 10% of the shares: None.

(11) The impact of the change in operating right on the Company and the risk and response measures: None.

(12) Litigation or non-litigation The impact and risk of litigation or non-litigation, the handling of events involving the Company, its directors, supervisors, presidents, persons in charge of the Company, substantial shareholders holding more than 10% of the shares, and affiliates: None.

(13) Other important risks and countermeasures: Information security can be divided into external hacker attacks for confidential information protection and the same level. In order to ensure the security of the company's intellectual property, business secrets and internal information when hackers, computer viruses, ransom emails and other external attacks affect the company's operating system, Mechema has established the concept of information security for employees through education and training and regular announcements, based on the concept of defense in depth and constructing external and internal information security protection. The company proposes information security proposals annually, evaluates their appropriateness on a regular basis, and draws up project plans to continuously strengthen protection measures to reduce information security risks.

(14) As amended on March 3, 2023, the criteria for entries to be made in the annual reports of publicly traded companies. Article 18, paragraph 6, Item 2, and Article 20, paragraph 6, item 5, require the Company to disclose the impact of information and communications security risks on the Company's financial operations and the measures to address such risks, as well as the losses suffered as a result of a material information and communications security event, the possible impact (including operations and goodwill, etc.) and the measures to address such risks.

Currently, the company has not been hacked to steal customer information, which is a major above-mentioned security incident, and has handled the relevant disclosures in accordance with the former regulations.

7. Other important matters: None.

Chapter 8. Special Notes

1. Information on affiliated companies for the most recent year

Statement of Consolidated Financial Statements of Affiliated Companies

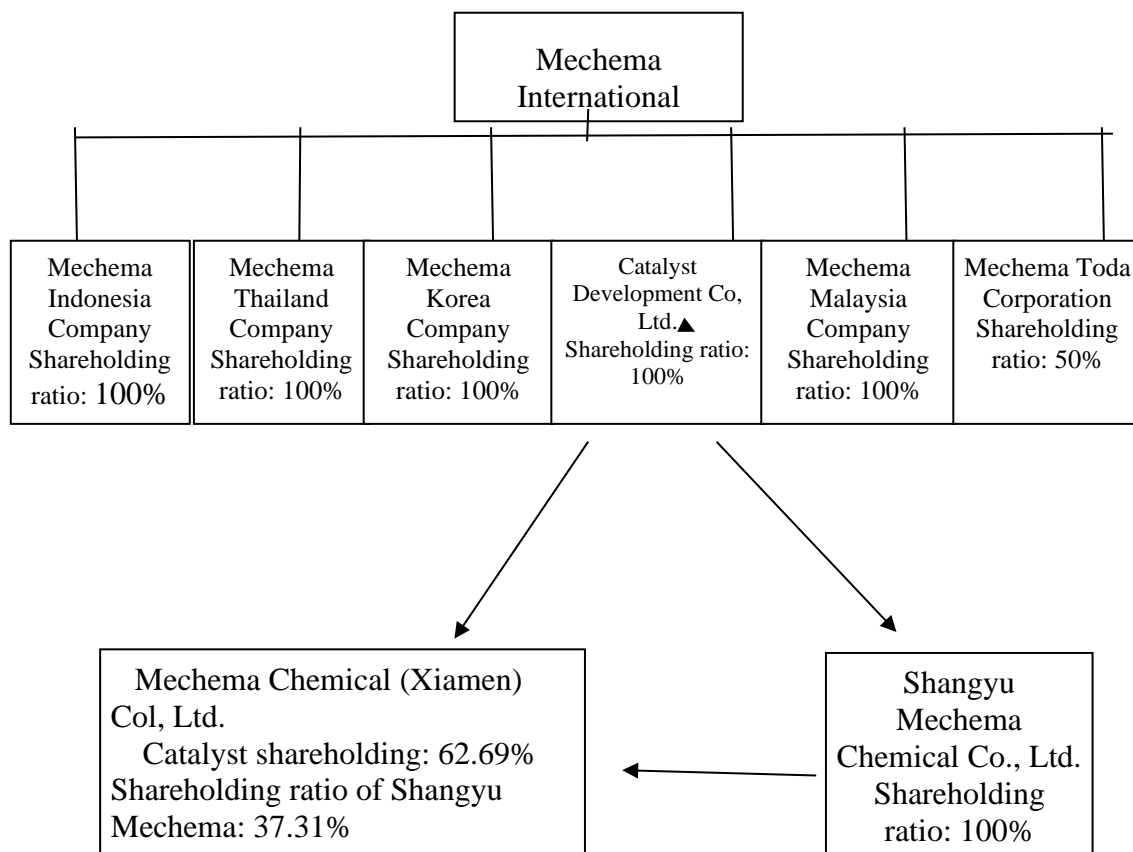
For the year ended December 31, 2022 (January 1, 2022 to December 31, 2022), the companies that should be included in the consolidated financial statements of affiliated companies in accordance with the "Regulations Governing the Preparation of Consolidated Financial Statements of Affiliated Companies and Related Party Reports" and the companies that should be included in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10 are similar, and the information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, a separate consolidated financial report of the affiliated companies would not be prepared.

Company: Mechema International Group

Responsible person: Yim Long-Chai

March 22, 2023

(2) Organizational Chart of Affiliates



(3) Basic information of each affiliated company

Apr. 30, 2022

Company Name	Date of Establishment	Address	Paid-in capital	Main business or Production Items
Mechema Thailand	Established in April, 1996	11 Sol G 14 Rakron Songkr-Ohrah Road, Map-Ta Phut Rayong Thailand	Baht 31,000 thousand	Production of PTA oxidation catalyst
Mechema Indonesia	Established in April, 1998	Blok J5-07 Newton Techno Park Lippo Cikarang Bekasi 17550	IDR 29,910,650 thousand	Production of PTA oxidation catalyst
Mechema Korea	Established in April, 1999	491-5 Yongyeon-Dong Nam-Ku, Ulsan Korea	Paid-in capital of KRW 4,382,020 thousand	Production of PTA oxidation catalyst
Mechema Malaysia	Established in January, 2008	Suite D23, 2nd Floor, Plaza Pekeliling, No.2 Jalan Tun Razak, 50400 Kuala Lumpur	Paid-in capital of RM5,000,000	Production of PTA oxidation catalyst
Catalyst Development Co., Ltd.	Established in September, 2001	Trustnet Chambers, Road Town, Tortola, British Virgin Islands.	Paid-in capital of USD 8,100 thousand	Investment Holding Company
Mechema Chemical (Xiamen) Co., Ltd.	Established in September, 2001	Haicang South Industrial Zone, Xiamen City, Fujian Province	Paid-in capital amounted to RMB 25,925 thousand	Real estate-related business
Shaoxing Shangyu Mechema Chemical Co., Ltd.	Established in August, 2005	Zhejiang Hangzhou Bay Fine Chemical Park	The paid-in capital was RMB 46,518 thousand	Production of PTA oxidation catalyst
Mechema Toda Corporation Co., Ltd.	Established in December, 2011	No. 1, Datong 1st Road, Guan Yin District, Taoyuan City	Paid-in capital NTD 300,100 thousand	Mainly engaged in the production of battery materials

(4) Information on the same shareholders who are presumed to be in a controlling and subordinate relationship: None

(5) Information on the directors, supervisors, and presidents of the affiliated companies

April 30, 2023

Company Name	Job Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Mechema Thailand	Director Director	Mechema International Group Co, Ltd. Representative: Yim Long-Chai Yan Wen-Zhi	310,000	100%
Mechema Indonesia	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	4,000	100%
	Director	Yan Wen-Zhi Li Liyu	- -	- -
Mechema Korea	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	876,404	100%
	Director	Yan Wen-Zhi	-	-
	Supervisor	Wang Chong Yi	-	-
		Lee Li-Yu	-	-
Mechema Malaysia	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	5,000,000	100%
	Director	Yan Wen-Zhi	-	-
		Lee Li-Yu	-	-
		Ming-Cheh Hsieh Azlin Ang Binti Adbullah	- -	- -
Catalyst Development Co., Ltd.	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	8,100,000	100%
Mechema Chemical (Xiamen) Co., Ltd.	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	-	100%
	Director	Yan Wen-Zhi	-	-
	Director	Ming-Cheh Hsieh	-	-
	Supervisor	Lee Li-Yu	-	-
Shaoxing Shangyu Mechema Chemical Co., Ltd.	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	-	100%
	Director	Yan Wen-Zhi	-	-
	Supervisor	Ming-Cheh Hsieh	-	-
		Lee Li-Yu	-	-
Mechema Toda Corporation Co., Ltd.	Chairman	Mechema International Group Co, Ltd. Representative: Yim Long-Chai	30,010,000	50%
	Vice Chairman	Representative of Toda Kogyo Co., Ltd.: Kenji Okinaka		
	Director	Mechema International Group Co, Ltd. Representative: Yan Wen-Zhi		
	Supervisor	Yen Kai-Yuen		
	Supervisor	Yoshitomo Yoshimoto		

The industry covered by the overall business of the affiliated company. If the businesses of the affiliated companies are related to each other, the division of labor between them should be stated.

1. Mechema Thailand, Mechema Indonesia, Mechema Korea, Mechema Malaysia, Shaoxing Shangyu Mechema Chemical Co., Ltd. are engaged in PTA oxidation catalyst production and local service.
2. Mechema Chemicals (Xiamen) Co., Ltd. is engaged in real estate-related business.
3. Catalyst Development Co., Ltd. is mainly used as a subsidiary of Mechema to invest in China.
4. Mechema Toda Corporation is engaged in the production of anode materials.

(6) Operation of each affiliated company

For the year ended December 31, 2022; Unit: NTD thousand, except that earnings per share is NTD

Name of Company	Capital	Total	Total	Net profit	Operating	Operating profit	Profit and loss	Earnings per share
		Assets	Liability		Revenue		(After tax)	(After tax)
Mechema Thailand	26,003	326,886	204,939	121,947	604,580	(802)	(425)	-
Mechema Indonesia	112,554	209,670	78,528	131,142	187,349	12,072	5,931	1.48
Mechema Korea	124,540	183,996	40,424	143,572	532,202	(34)	(9,988)	0.02
Mechema Malaysia	49,042	8,366	9,253	-887	0	(249)	(923)	-
Catalyst Development Co., Ltd.	270,419	477,485	0	477,485	0	0	10,445	0.00
Mechema Chemicals (Xiamen) Co., Ltd.	111,060	99,421	2,705	96,716	0	(3,073)	3,867	(Note)
Shangyu Mechema Chemical Co., Ltd.	197,572	531,455	126,734	126,734	517,308	18,519	6,549	(Note)
Mechema Toda Corporation	300,100	768,098	529,670	238,428	2,574,615	(31,383)	(17,344)	- 0.06

Note: The number of shares is not calculated since it is a limited company.

2. For the most recent year and up to the date of publication of the annual report, the private placement of common stock: None.
3. Holdings or dispositions of the Company's shares by subsidiaries for the most recent year and as of the date of the annual report: None.
4. Other necessary supplementary notes: None.
5. The first listed company should include an explanation of significant differences in the protection of shareholders' rights and interests in our country: None.

Chapter 9 For the most recent year and as of the printing date of the annual report, the events that have a significant impact on shareholders' equity or the price of securities as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act should also be stated item by item: None.

Appendix 1. Latest Annual Consolidated Financial Report:

**Mechema Chemicals International Corp.
and Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

MECHEMA CHEMICALS INTERNATIONAL CORP.

By

LUNG-TSAI YEN
Chairman

March 22, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mechema Chemicals International Corp.

Opinion

We have audited the accompanying consolidated financial statements of Mechema Chemicals International Corp. and its subsidiaries (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 of the consolidated financial statements for the years ended December 31, 2022 and 2021 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 for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Recognition of Revenue

The main source of revenue of the Group comes from the sales of battery cathode material. Most of the sales were highly concentrated on major customers, which accounted for 47% of total sales revenue. Therefore, the management may be under pressure to meet the profit target. Since there is a significant risk, we considered the recognition of sales revenue as key audit matter.

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

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

Other Matter

We have also audited the parent company only financial statements of Mechema Chemicals International Corp. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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, 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 the 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 Group'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 audits resulting in this independent auditors' report are Yung-Ming Chiu and Chin-Chuan Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 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.

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

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

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 366,480	15	\$ 432,593	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	43,068	2	35,385	2
Financial assets at amortized cost - current (Notes 4, 8 and 25)	18,044	1	5,213	-
Notes and trade receivables (Notes 4, 9 and 19)	524,929	21	449,980	18
Trade receivables from related parties (Notes 4, 19 and 24)	258,380	10	303,414	12
Other receivables (Note 4)	47,384	2	5,743	-
Other receivables from related parties (Notes 4 and 24)	3,567	-	3,275	-
Current tax assets (Notes 4 and 20)	11,709	1	-	-
Inventories (Notes 4 and 10)	627,745	25	474,634	19
Prepayments (Note 15)	10,110	-	182,118	8
Other current assets	<u>54,043</u>	<u>2</u>	<u>39,268</u>	<u>2</u>
Total current assets	<u>1,965,459</u>	<u>79</u>	<u>1,931,623</u>	<u>79</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 8 and 25)	228	-	214	-
Investments accounted for using the equity method (Notes 4 and 11)	112,074	4	127,060	5
Property, plant and equipment (Notes 4 and 12)	360,949	14	321,756	13
Right-of-use assets (Notes 4 and 13)	15,763	1	16,159	1
Investment properties (Notes 4 and 14)	12,635	1	14,386	1
Goodwill (Note 4)	1,281	-	1,281	-
Deferred tax assets (Notes 4 and 20)	12,476	1	5,560	-
Prepaid equipment	9,844	-	17,032	1
Refundable deposits (Note 4)	3,318	-	3,312	-
Net defined benefit asset - non-current (Notes 4 and 17)	1,741	-	217	-
Other non-current assets	<u>7,295</u>	<u>-</u>	<u>6,152</u>	<u>-</u>
Total non-current assets	<u>537,604</u>	<u>21</u>	<u>513,129</u>	<u>21</u>
TOTAL	<u>\$ 2,503,063</u>	<u>100</u>	<u>\$ 2,444,752</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 789,473	32	\$ 627,000	26
Short-term bills payable (Note 16)	-	-	250,000	10
Notes and trade payables	40,094	2	60,697	3
Other payables (Note 24)	51,394	2	44,648	2
Current tax liabilities (Notes 4 and 20)	106,794	4	68,071	3
Lease liabilities - current (Notes 4 and 13)	695	-	706	-
Other current liabilities	<u>7,982</u>	<u>-</u>	<u>7,872</u>	<u>-</u>
Total current liabilities	<u>996,432</u>	<u>40</u>	<u>1,058,994</u>	<u>44</u>
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 20)	5,421	-	3,856	-
Lease liabilities - non-current (Notes 4 and 13)	<u>-</u>	<u>-</u>	<u>516</u>	<u>-</u>
Total non-current liabilities	<u>5,421</u>	<u>-</u>	<u>4,372</u>	<u>-</u>
Total liabilities	<u>1,001,853</u>	<u>40</u>	<u>1,063,366</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares (Note 18)	<u>749,863</u>	<u>30</u>	<u>749,863</u>	<u>30</u>
Capital surplus (Note 18)	<u>24,825</u>	<u>1</u>	<u>24,825</u>	<u>1</u>
Retained earnings (Note 18)				
Legal reserve	321,008	13	284,987	12
Special reserve	120,578	5	81,462	3
Unappropriated earnings	<u>383,444</u>	<u>15</u>	<u>360,827</u>	<u>15</u>
Total retained earnings	<u>825,030</u>	<u>33</u>	<u>727,276</u>	<u>30</u>
Other equity (Notes 4 and 18)				
Exchange differences on translating foreign operations	<u>(98,508)</u>	<u>(4)</u>	<u>(120,578)</u>	<u>(5)</u>
Total equity	<u>1,501,210</u>	<u>60</u>	<u>1,381,386</u>	<u>56</u>
TOTAL	<u>\$ 2,503,063</u>	<u>100</u>	<u>\$ 2,444,752</u>	<u>100</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP. 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	%
SALES (Notes 4, 19 and 24)	\$ 5,271,498	100	\$ 4,126,416	100
COST OF GOODS SOLD (Notes 10 and 19)	<u>4,760,738</u>	<u>90</u>	<u>3,575,002</u>	<u>87</u>
GROSS PROFIT	510,760	10	551,414	13
UNREALIZED GAIN ON TRANSACTIONS WITH JOINT VENTURES	(6,314)	-	-	-
REALIZED GAIN ON TRANSACTIONS WITH JOINT VENTURES	<u>-</u>	<u>-</u>	<u>5,016</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>504,446</u>	<u>10</u>	<u>556,430</u>	<u>13</u>
OPERATING EXPENSES (Notes 19 and 24)				
Selling and marketing expenses	58,502	1	53,104	1
General and administrative expenses	69,530	2	74,970	2
Research and development expenses	<u>14,450</u>	<u>-</u>	<u>11,288</u>	<u>-</u>
Total operating expenses	<u>142,482</u>	<u>3</u>	<u>139,362</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>361,964</u>	<u>7</u>	<u>417,068</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of joint ventures (Notes 4 and 11)	(8,672)	-	(4,585)	-
Interest income	6,839	-	4,201	-
Rental income (Note 24)	15,595	-	15,338	-
Other income (Note 24)	29,461	1	33,755	1
Net gain on disposal of property, plant and equipment (Note 4)	-	-	119	-
Net foreign exchange gain (loss) (Notes 4 and 29)	81,807	1	(1,569)	-
Gain on valuation of financial assets at FVTPL (Note 4)	7,683	-	2,087	-
Other gains and losses	(7)	-	-	-
Finance costs	<u>(13,400)</u>	<u>-</u>	<u>(6,089)</u>	<u>-</u>
Total non-operating income and expenses	<u>119,306</u>	<u>2</u>	<u>43,257</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	481,270	9	460,325	11
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(99,945)</u>	<u>(2)</u>	<u>(99,691)</u>	<u>(2)</u>

(Continued)

MECHEMA CHEMICALS INTERNATIONAL CORP. 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	%
NET PROFIT FOR THE YEAR	<u>381,325</u>	<u>7</u>	<u>360,634</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	1,377	-	(423)	-
Items that maybe reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 4)	<u>22,070</u>	<u>1</u>	<u>(39,116)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>23,447</u>	<u>1</u>	<u>(39,539)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 404,772</u>	<u>8</u>	<u>\$ 321,095</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 381,325	7	\$ 360,634	9
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 381,325</u>	<u>7</u>	<u>\$ 360,634</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 404,772	8	\$ 321,095	8
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 404,772</u>	<u>8</u>	<u>\$ 321,095</u>	<u>8</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 5.09</u>		<u>\$ 4.81</u>	
Diluted	<u>\$ 5.08</u>		<u>\$ 4.81</u>	

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

(Concluded)

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

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

			Retained Earnings		Unappropriated Earnings	Others Exchange Differences on Translating Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2021	\$ 749,863	\$ 24,825	\$ 272,649	\$ 74,666	\$ 123,981	\$ (81,462)	\$ 1,164,522
Appropriation of 2020 earnings							
Legal reserve	-	-	12,338	-	(12,338)	-	-
Special reserve	-	-	-	6,796	(6,796)	-	-
Cash dividends distributed by the Company	-	-	-	-	(104,231)	-	(104,231)
Net profit for the year ended December 31, 2021	-	-	-	-	360,634	-	360,634
Other comprehensive loss for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(423)</u>	<u>(39,116)</u>	<u>(39,539)</u>
Total comprehensive income (loss) for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,211</u>	<u>(39,116)</u>	<u>321,095</u>
BALANCE AT DECEMBER 31, 2021	749,863	24,825	284,987	81,462	360,827	(120,578)	1,381,386
Appropriation of 2021 earnings							
Legal reserve	-	-	36,021	-	(36,021)	-	-
Special reserve	-	-	-	39,116	(39,116)	-	-
Cash dividends distributed by the Company	-	-	-	-	(284,948)	-	(284,948)
Net profit for the year ended December 31, 2022	-	-	-	-	381,325	-	381,325
Other comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377</u>	<u>22,070</u>	<u>23,447</u>
Total comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,702</u>	<u>22,070</u>	<u>404,772</u>
BALANCE AT DECEMBER 31, 2022	<u>\$ 749,863</u>	<u>\$ 24,825</u>	<u>\$ 321,008</u>	<u>\$ 120,578</u>	<u>\$ 383,444</u>	<u>\$ (98,508)</u>	<u>\$ 1,501,210</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP. 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		
Profit before income tax	\$ 481,270	\$ 460,325
Adjustments for:		
Depreciation expense	23,473	22,283
Amortization expense	2,786	1,540
Net gain on fair value changes of financial assets at fair value through profit or loss	(7,683)	(2,087)
Finance costs	13,400	6,089
Interest income	(6,839)	(4,201)
Share of profit or loss of joint ventures	8,672	4,585
Gain on disposal of property, plant and equipment	-	(119)
Unrealized (Realized) gain on transactions with joint ventures	6,314	(5,016)
Changes in operating assets and liabilities		
Notes and trade receivables	(74,949)	(116,121)
Trade receivables from related parties	45,034	(251,281)
Other receivables	(41,641)	2,268
Other receivables from related parties	(292)	(1,040)
Inventories	(152,529)	(232,245)
Prepayments	172,008	(142,727)
Other current assets	(14,775)	(7,976)
Defined benefit asset	(147)	(179)
Notes and trade payables	(20,603)	7,090
Other payables	6,746	(217)
Other current liabilities	(544)	4,034
Cash generated from (used in) operations	439,701	(254,995)
Interest received	6,839	4,201
Interest paid	(12,911)	(5,977)
Income tax paid	(78,282)	(59,347)
Net cash generated from (used in) operating activities	<u>355,347</u>	<u>(316,118)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(15,840)	(225,584)
Proceeds from sale of financial assets measured at cost	3,086	294,002
Purchases of property, plant and equipment	(30,048)	(12,835)
Proceeds from disposal of property, plant and equipment	-	119
(Increase) decrease in refundable deposits	(6)	975
Increase in long-term prepaid expenses	(3,928)	(6,102)
Increase in prepaid equipment	(17,214)	(21,653)
Net cash (used in) generated from investing activities	<u>(63,950)</u>	<u>28,922</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	162,473	376,092
(Repayments of) proceeds from short-term bills payable	(250,000)	225,000

(Continued)

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

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

	2022	2021
Repayment of the principal portion of lease liabilities	(878)	(1,245)
Dividends paid to owners of the Company	<u>(284,948)</u>	<u>(104,231)</u>
Net cash (used in) generated from financing activities	<u>(373,353)</u>	<u>495,616</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>15,843</u>	<u>(32,032)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(66,113)	176,388
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>432,593</u>	<u>256,205</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 366,480</u>	<u>\$ 432,593</u>

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

(Concluded)

MECHEMA CHEMICALS INTERNATIONAL CORP. 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

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

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

Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2022 is NT\$749,863 thousand.

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

Organization and Operations of the Subsidiaries

Mechema Chemicals (Thailand) Co., Ltd. (MT), a company established in April 1996. It is mainly engaged in manufacturing of oxidation catalysts. The paid-in capital as of December 31, 2022 is THB31,000 thousand.

PT Mechema Indonesia (MI), a company established in April 1998. It is mainly engaged in the manufacturing of oxidation catalysts. Over the years after several rounds of increase in cash capital, the paid-in capital as of December 31, 2022 is IDR29,910,650 thousand.

Mechema Korea Co., Ltd. (MK), a company established in April 1999. It is mainly engaged in the manufacturing of oxidation catalysts. Over the years after several rounds of increase in cash capital, the paid-in capital as of December 31, 2022 is KRW4,382,020 thousand.

Catalyst Development Co., Ltd. (Catalyst) is a company established in September 2001. It is mainly engaged in investments in mainland China. Over the years after several rounds of increase in cash capital, the paid-in capital as of December 31, 2022 is US\$8,100 thousand.

Mechema Chemical (Xiamen) Co., Ltd. (Xiamen) is a company established in September 2001. It is mainly engaged in real estate business. The paid-in capital as of December 31, 2022 is RMB25,925 thousand.

Mechema Chemical (Shang Yu) Co., Ltd. (Shang Yu) is a company established in August 2005. It is mainly engaged in the manufacturing of oxidation catalysts. The paid-in capital as of December 31, 2022 is RMB46,518 thousand.

Mechema Chemical (Malaysia) Co., Ltd. (MM) is a company established in January 2008. It is mainly engaged in the manufacturing of oxidation catalysts. The paid-in capital as of December 31, 2022 is MYR5,000 thousand.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on March 22, 2023.

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

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

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

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

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

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

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
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 financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations 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

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 as endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the 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.

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 statements of profit or loss and other comprehensive income from the effective dates of acquisition up to the effective dates of disposal, 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Pursuant to the above basis of preparation of the consolidated financial statements, the detailed information of the subsidiaries was as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership Interest	
			December 31	
			2022	2021
The Company	Mechema Chemicals (Thailand) Co., Ltd. (“MT”)	Manufacturing of oxidation catalysts	100.00	100.00
	PT Mechema Indonesia (“MI”)	Manufacturing of oxidation catalysts	100.00	100.00
	Mechema Korea Co., Ltd. (“MK”)	Manufacturing of oxidation catalysts	100.00	100.00
	Mechema Chemical (Malaysia) Co., Ltd. (“MM”)	Manufacturing of oxidation catalysts	100.00	100.00
	Catalyst Development Co., Ltd. (“Catalyst”)	Investment	100.00	100.00
Catalyst	Mechema Chemical (Xiamen) Co., Ltd. (“Xiamen”)	Real estate business	62.69	62.69
	Mechema Chemical (Shang Yu) Co., Ltd. (“Shang Yu”)	Manufacturing of oxidation catalysts	100.00	100.00
Shang Yu	Mechema Chemical (Xiamen) Co., Ltd. (“Xiamen”)	Real estate business	37.31	37.31

Business Combinations

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

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

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.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies that are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar. Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, supplies, finished goods, merchandise, and work in process 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.

Investments in Joint Ventures

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

On 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.

Investment Properties

Investment properties are properties held to earn rental and for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs needed to restore the underlying assets, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Depreciation is recognized using the straight-line method.

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

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Property, Plant and Equipment, Right-of-use Asset, Intangible Assets Other than Goodwill

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

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

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

Financial Instruments

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

a. Financial assets

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

1) Measurement categories

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

a) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in in Note 23.

b) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade and notes receivables at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals to the gross carrying amount determined by 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, except for:

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

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

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

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

2) Impairment of financial assets and contract assets

The 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 trade receivables. 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 the 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.

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of a 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.

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

3) Derecognition of financial assets

The 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.

b. Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or 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 a group entity are recognized at the proceeds received, net of direct issue costs.

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Revenue Recognition

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

Sale of goods

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

Leasing

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

a. 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.

b. 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 by applying a recognition exemption where lease payments are recognized as expenses on and over the lease terms.

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

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

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

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

Lease liabilities are presented on a separate line in the consolidated balance sheets.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Mechema Chemicals (Thailand) Co., Ltd., PT Mechema Indonesia and Catalyst Development Co., Ltd. have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Mechema Korea Co., Ltd. makes monthly contributions to pension funds of monthly salaries and wages.

Mechema Chemical (Xiamen) Co., Ltd. (“Xiamen”) and Mechema Chemical (Shang Yu) Co., Ltd. (“Shang Yu”) are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits under the current regulations of the mainland China.

Mechema Chemical (Malaysia) Co., Ltd. contributes to pension funds under the current regulations of the local government.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

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

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

b. Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset 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.

c. 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 384	\$ 201
Checking accounts and demand deposits	296,263	402,917
Time deposits	<u>88,105</u>	<u>34,902</u>
	384,752	438,020
Less: Pledged deposits	(2,432)	(5,427)
Time deposits with original maturities of more than three months	<u>(15,840)</u>	<u>-</u>
	<u>\$ 366,480</u>	<u>\$ 432,593</u>

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 bank acceptances are subject to an insignificant risk of changes in value. Pledged deposits are pledged to secure the loan facilities granted by a bank to the Group (refer to Note 25) and are recognized under financial assets at amortized cost.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at fair value through profit or loss - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 43,068</u>	<u>\$ 35,385</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 15,840	\$ -
Pledged deposits (bank guarantee)	<u>2,204</u>	<u>5,213</u>
	<u>\$ 18,044</u>	<u>\$ 5,213</u>

Non-current

Pledged deposits (performance security deposit)	<u>\$ 228</u>	<u>\$ 214</u>
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- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.30%-3.75% and 1%-3.75% per annum as of December 31, 2022 and 2021, respectively.
- b. Refer to Note 25 for information relating to investments in financial assets at amortized cost pledged as security.

9. NOTES AND TRADE RECEIVABLES

	December 31	
	2022	2021
Notes receivable	\$ 230,217	\$ 160,839
Trade receivables	<u>296,656</u>	<u>290,374</u>
	526,873	451,213
Less: Allowance for impairment loss	<u>(1,944)</u>	<u>(1,233)</u>
	<u>\$ 524,929</u>	<u>\$ 449,980</u>

Notes and Trade Receivables at Amortized Cost

The average credit period for sales of goods is 30 to 90 days. 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. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position and adjusted for general economic conditions of the industry in which the debtors operate. As the 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 Group writes off the notes and accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the notes and accounts receivable are over 180 days past due, whichever occurs earlier.

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

December 31, 2022

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 470,739	\$ 43,091	\$ 1,989	\$ 11,054	\$ -	\$ 526,873
Loss allowance (Lifetime ECL)	<u>(1,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,944)</u>
Amortized cost	<u>\$ 468,795</u>	<u>\$ 43,091</u>	<u>\$ 1,989</u>	<u>\$ 11,054</u>	<u>\$ -</u>	<u>\$ 524,929</u>

December 31, 2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 413,181	\$ 34,815	\$ 3,217	\$ -	\$ -	\$ 451,213
Loss allowance (Lifetime ECL)	<u>(1,211)</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,233)</u>
Amortized cost	<u>\$ 411,970</u>	<u>\$ 34,793</u>	<u>\$ 3,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,980</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at the beginning of the period	\$ 1,233	\$ 824
Add: Impairment losses recognized	<u>711</u>	<u>409</u>
Balance at the end of the period	<u>\$ 1,944</u>	<u>\$ 1,233</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 129,818	\$ 193,443
Work-in-process	184,333	131,933
Raw materials	<u>313,594</u>	<u>149,258</u>
	<u>\$ 627,745</u>	<u>\$ 474,634</u>

The cost of inventories recognized as the cost of goods sold in the years ended December 31, 2022 and 2021 included \$4,760,738 thousand and \$3,575,002 thousand, respectively. The cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$45,699 thousand and reversals of inventory write-downs of \$5,219 thousand, respectively. The reversal of inventory write-downs was due to increased selling prices in certain markets.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Joint Ventures

	December 31			
	2022		2021	
	Original Cost	Carrying Amount	Original Cost	Carrying Amount
<u>Unlisted companies</u>				
Mechema Toda Corporation	\$ 150,100	\$ 112,074	\$ 150,100	\$ 127,060

As of December 31, 2022 and 2021, the detail of the proportion of ownership and voting rights in joint ventures were as follows:

Name of Joint Ventures	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
Mechema Toda Corporation	50%	50%

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

Refer to Table 6 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the joint ventures.

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

	December 31	
	2022	2021
Cash and cash equivalents	\$ 7,729	\$ 11,938
Current financial liabilities (exclude trade payables, other payables and provisions)	\$ 256,635	\$ 288,353
Current assets	\$ 686,383	\$ 782,609
Non-current assets	\$ 81,715	\$ 92,998
Current liabilities	\$ 529,670	\$ 619,836
Non-current liabilities	\$ -	\$ -
For the Year Ended December 31		
	2022	2021
Operating revenue	\$ 2,574,615	\$ 2,089,507
Depreciation expenses and amortization expenses	\$ 37,411	\$ 40,811
Net exchange gain	\$ 18,778	\$ 4,396
Income tax (benefits)/expenses	\$ (1,185)	\$ 4,620
Net loss for the year	\$ (17,344)	\$ (9,170)
Dividends received	\$ -	\$ -
Net loss attributable to preferred stock	\$ -	\$ -
Net loss attributable to common stock	(17,344)	(9,170)
	\$ (17,344)	\$ (9,170)

For the years ended December 31, 2022 and 2021, the detail of share of profit or loss of joint ventures were as follows:

	For the Year Ended December 31	
	2022	2021
Attributable to preferred stock	\$ -	\$ -
Attributable to common stock	<u>(8,672)</u>	<u>(4,585)</u>
	<u>\$ (8,672)</u>	<u>\$ (4,585)</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Trans- portation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 175,357	\$ 187,888	\$ 237,833	\$ 24,648	\$ 9,125	\$ 16,845	\$ 651,696
Additions	9,829	3,486	11,871	1,218	2,951	858	30,213
Disposals	-	-	(281)	-	-	-	(281)
Transfer from prepayments for equipment	-	12,825	7,407	152	3,557	-	23,941
Effect of exchange rate changes	<u>2,053</u>	<u>2,932</u>	<u>6,294</u>	<u>1,043</u>	<u>251</u>	<u>388</u>	<u>12,961</u>
Balance at December 31, 2022	<u>\$ 187,239</u>	<u>\$ 207,131</u>	<u>\$ 263,124</u>	<u>\$ 27,061</u>	<u>\$ 15,884</u>	<u>\$ 18,091</u>	<u>\$ 718,530</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 95,324	\$ 199,125	\$ 15,522	\$ 7,242	\$ 12,727	\$ 329,940
Depreciation	-	7,240	8,573	2,344	1,146	959	20,262
Disposals	-	-	(281)	-	-	-	(281)
Effect of exchange rate changes	<u>-</u>	<u>1,226</u>	<u>5,359</u>	<u>486</u>	<u>206</u>	<u>383</u>	<u>7,660</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 103,790</u>	<u>\$ 212,776</u>	<u>\$ 18,352</u>	<u>\$ 8,594</u>	<u>\$ 14,069</u>	<u>\$ 357,581</u>
Carrying amount at December 31, 2022	<u>\$ 187,239</u>	<u>\$ 103,341</u>	<u>\$ 50,348</u>	<u>\$ 8,709</u>	<u>\$ 7,290</u>	<u>\$ 4,022</u>	<u>\$ 360,949</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 179,076	\$ 218,704	\$ 238,973	\$ 25,553	\$ 8,762	\$ 16,357	\$ 687,425
Additions	-	385	7,242	1,583	1,101	580	10,891
Disposals	-	(28,376)	(8,816)	(1,768)	(316)	(485)	(39,761)
Transfer from prepayments for equipment	-	447	13,088	-	-	1,320	14,855
Effect of exchange rate changes	<u>(3,719)</u>	<u>(3,272)</u>	<u>(12,654)</u>	<u>(720)</u>	<u>(422)</u>	<u>(927)</u>	<u>(21,714)</u>
Balance at December 31, 2021	<u>\$ 175,357</u>	<u>\$ 187,888</u>	<u>\$ 237,833</u>	<u>\$ 24,648</u>	<u>\$ 9,125</u>	<u>\$ 16,845</u>	<u>\$ 651,696</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 118,626	\$ 210,295	\$ 16,858	\$ 7,633	\$ 13,339	\$ 366,751
Depreciation	-	7,333	8,088	2,353	318	798	18,890
Disposals	-	(28,376)	(8,816)	(1,768)	(316)	(485)	(39,761)
Effect of exchange rate changes	<u>-</u>	<u>(2,259)</u>	<u>(10,442)</u>	<u>(1,921)</u>	<u>(393)</u>	<u>(925)</u>	<u>(15,940)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 95,324</u>	<u>\$ 199,125</u>	<u>\$ 15,522</u>	<u>\$ 7,242</u>	<u>\$ 12,727</u>	<u>\$ 329,940</u>
Carrying amount at December 31, 2021	<u>\$ 175,357</u>	<u>\$ 92,564</u>	<u>\$ 38,708</u>	<u>\$ 9,126</u>	<u>\$ 1,883</u>	<u>\$ 4,118</u>	<u>\$ 321,756</u>

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was

no indication of impairment.

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

Buildings	
Main buildings	36-56 years
Fire protection engineering	3-8 years
Hydropower engineering	6-10 years
Steel structure engineering	11-16 years
Other buildings	2-16 years
Equipment	3-20 years
Transportation equipment	3-10 years
Office equipment	3-10 years
Other equipment	3-16 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 15,106	\$ 14,950
Transportation equipment	<u>657</u>	<u>1,209</u>
	<u>\$ 15,763</u>	<u>\$ 16,159</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 351</u>	<u>\$ 1,335</u>
Depreciation charge for right-of-use assets		
Land	\$ 339	\$ 334
Transportation equipment	<u>903</u>	<u>1,125</u>
	<u>\$ 1,242</u>	<u>\$ 1,459</u>

Other than the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Consolidated Company's right-of-use assets in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	\$ 695	\$ 706
Non-current	<u>-</u>	<u>516</u>
	<u>\$ 695</u>	<u>\$ 1,222</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Transportation equipment	1%	1%

c. Material lease-in activities and terms

Since lands in the PRC and Malaysia could not be directly acquired due to restrictions of laws, they were obtained by way of a lease, and the Group's land use rights in the PRC and Malaysia have been paid in full at the inception of the lease.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Total cash outflow for leases	<u>\$ 1,000</u>	<u>\$ 1,335</u>

14. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 6,171	\$ 66,935	\$ 73,106
Effect of exchange rate changes	<u>91</u>	<u>986</u>	<u>1,077</u>
Balance at December 31, 2022	<u>\$ 6,262</u>	<u>\$ 67,921</u>	<u>\$ 74,183</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 835	\$ 57,885	\$ 58,720
Depreciation expenses	179	1,790	1,969
Effect of exchange rate changes	<u>12</u>	<u>847</u>	<u>859</u>
Balance at December 31, 2022	<u>\$ 1,026</u>	<u>\$ 60,522</u>	<u>\$ 61,548</u>
Carrying amount at December 31, 2022	<u>\$ 5,236</u>	<u>\$ 7,399</u>	<u>\$ 12,635</u>

(Continued)

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 6,218	\$ 67,443	\$ 73,661
Effect of exchange rate changes	<u>(47)</u>	<u>(508)</u>	<u>(555)</u>
Balance at December 31, 2021	<u>\$ 6,171</u>	<u>\$ 66,935</u>	<u>\$ 73,106</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ 664	\$ 56,553	\$ 57,217
Depreciation expenses	176	1,758	1,934
Effect of exchange rate changes	<u>(5)</u>	<u>(426)</u>	<u>(431)</u>
Balance at December 31, 2021	<u>\$ 835</u>	<u>\$ 57,885</u>	<u>\$ 58,720</u>
Carrying amount at December 31, 2021	<u>\$ 5,336</u>	<u>\$ 9,050</u>	<u>\$ 14,386</u>
			(Concluded)

The Group leased out its property for rental income and reclassified it at its carrying amount as an investment property.

The above items of investment properties are depreciated on a straight-line basis as follows:

Land	50 years
Buildings	20 years

The Group's investment property was located in Xiamen Industrial District, China.

As these districts have neither active markets nor open information, the information on comparable market transactions are uncommon and alternative reliable measurements of the fair value estimates are not available.

The investment properties were leased out for 7 years, with an option to extend. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend.

The total amount of rental payments that will be collected for the lease of investment property under operating leases is as follows:

	December 31	
	2022	2021
Year 1	\$ 5,090	\$ 1,134
Year 2	5,281	-
Year 3	5,344	-
Year 4	5,545	-
Year 5	5,611	-
Year 6	5,822	-
Year 7	<u>1,473</u>	<u>-</u>
	<u>\$ 34,166</u>	<u>\$ 1,134</u>

15. PREPAYMENTS

Prepayments are the prepayment to the vendors of inventory.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Line of credit borrowings	<u>\$ 789,473</u>	<u>\$ 627,000</u>

The above amounts represented the revolving facility (for operating capital demand) of a bank loan. The range of weighted average effective interest rates on bank loans was 1.40%-5.67% and 0.84%-0.85% per annum on December 31, 2022 and 2021.

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper	<u>\$ -</u>	<u>\$ 250,000</u>

Outstanding short-term bills payable were as follows:

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Dah Chung Bills Finance Corporation	\$ 50,000	\$ -	\$ 50,000	0.86%	-	\$ -
Mega Bills Finance Co., Ltd.	50,000	-	50,000	0.87%	-	-
Taiwan Finance Corporation	50,000	-	50,000	0.85%	-	-
Ta Ching Bills Finance Corporation	50,000	-	50,000	0.85%	-	-
International Bills Finance Corporation	<u>50,000</u>	<u>-</u>	<u>50,000</u>	0.87%	-	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>			<u>\$ -</u>

The commercial papers were not discounted because the effect was not material.

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

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in PRC, Korea and Malaysia are members of a state-managed retirement benefit plan operated by the government of PRC, Korea and Malaysia. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

18. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Numbers of shares authorized (in thousands)	86,000	86,000
Shares authorized	\$ 860,000	\$ 860,000
Number of shares issued and fully paid (in thousands)	74,986	74,986
Shares issued	\$ 749,863	\$ 749,863

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

b. Capital surplus

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 19(d).

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

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

In addition to referring general distribution level of dividends, the Company's dividend policy is based on the consideration of the future capital needs and long-term financial planning.

Shareholders' dividends and bonuses shall be appropriated for an amount more than 50% of the distributable earnings in the current year; also, the distribution of dividends shall include at least 10% in cash and 90% in stock.

The type of distribution may change according to circumstances of profitability and capital and may be adjusted during the annual shareholders' meeting.

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

The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on June 22, 2022 and July 7, 2021, respectively, and were as follows:

	Appropriation of Earnings	
	2021	2020
Legal reserve	\$ 36,021	\$ 12,338
Special reserve	\$ 39,116	\$ 6,796
Cash dividends	\$ 284,948	\$ 104,231
Cash dividends per share (NT\$)	\$ 3.80	\$ 1.39

The appropriation of earnings for 2022, which was proposed by the Company's board of directors on March 22, 2023, was as follows:

	2022
Legal reserve	\$ 38,270
Special reserve	\$ (22,070)
Cash dividends	\$ 344,937
Cash dividends per share (NT\$)	\$ 4.60

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 27, 2023.

d. Special reserve

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

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

As of December 31, 2021 and 2020, exchange differences on translating foreign operations were negative and exceeded the amount on account.

In response to the aforementioned regulations, the Company recognized special reserves of \$39,116 thousand and \$6,796 thousand, respectively, which were made in the appropriations of earnings for 2021 and 2020.

e. Other equity

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

19. NET PROFIT

a. Net revenue

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$ 5,271,498	\$ 4,126,416

1) Contract information

Revenue from the sale of goods

The Group sells battery cathode materials and oxidation catalysts, which are manufactured by clients' orders and recognizes revenue at which time the goods are delivered to the customer's specific location. The Group does not provide any after-sales services, such as warranty, right to return, etc. The quotation of products is based on the current market price of the raw materials and the expected profit. The term of sales of products is fixed price, not volatile. Since payment terms granted to customers are usually less than 120 days, there is no significant financing component from contracts with customers.

2) Contact balances

	December 31	
	2022	2021
Notes and trades receivable, net (Note 9)	<u>\$ 524,929</u>	<u>\$ 449,980</u>
Trades receivable from related parties (Note 24)	<u>\$ 258,380</u>	<u>\$ 303,414</u>

3) Disaggregation of revenue from customer contracts

2022

	Battery Material Department	Oxidation Catalyst	Total
Sale of goods	<u>\$ 2,488,963</u>	<u>\$ 2,782,535</u>	<u>\$ 5,271,498</u>

2021

	Battery Material Department	Oxidation Catalyst	Total
Sale of goods	<u>\$ 2,108,730</u>	<u>\$ 2,017,686</u>	<u>\$ 4,126,416</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 20,262	\$ 18,890
Investment properties	1,969	1,934
Right-of-use assets	1,242	1,459
Long-term prepaid expenses	<u>2,786</u>	<u>1,540</u>
	<u>\$ 26,259</u>	<u>\$ 23,823</u>
An analysis of deprecation by function		
Operating costs	\$ 14,415	\$ 13,562
Operating expenses	<u>9,058</u>	<u>8,721</u>
	<u>\$ 23,473</u>	<u>\$ 22,283</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
An analysis of amortization by function		
Operating costs	\$ 2,371	\$ 1,173
Operating expenses	<u>415</u>	<u>367</u>
	<u>\$ 2,786</u>	<u>\$ 1,540</u>
		(Concluded)

c. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits		
Salaries and wages	\$ 97,160	\$ 87,801
Insurance premiums for employee	<u>6,266</u>	<u>5,363</u>
	<u>103,426</u>	<u>93,164</u>
Post-employment benefits		
Defined contribution plans	<u>2,474</u>	<u>3,093</u>
Other employee benefits	<u>5,099</u>	<u>4,127</u>
Total employee benefits expense	<u>\$ 110,999</u>	<u>\$ 100,384</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 46,619	\$ 40,476
Operating expenses	<u>64,380</u>	<u>59,908</u>
	<u>\$ 110,999</u>	<u>\$ 100,384</u>

- d. The Company distributed employees' compensation and directors' remuneration at the rates of not less than 1% and not higher than 5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors on March 22, 2023 and March 17, 2022, respectively, were as follows:

	2022		2021	
	Employees' Compensation in Cash	Remuneration of Directors in Cash	Employees' Compensation in Cash	Remuneration of Directors in Cash
Amounts approved in the board of directors' meeting	<u>\$ 5,896</u>	<u>\$ 2,200</u>	<u>\$ 4,330</u>	<u>\$ 2,000</u>
Amounts recognized in the annual financial statements	<u>\$ 5,896</u>	<u>\$ 2,000</u>	<u>\$ 4,330</u>	<u>\$ 2,000</u>

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

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

20. INCOME TAXES

a. Income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current period	\$ 104,978	\$ 98,984
Income tax on unappropriated earnings	6	1
Adjustments for prior year	<u>312</u>	<u>825</u>
	<u>105,296</u>	<u>99,810</u>
Deferred tax		
In respect of the current period	<u>(5,351)</u>	<u>(119)</u>
Income tax expense recognized in profit or loss	<u>\$ 99,945</u>	<u>\$ 99,691</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	<u>\$ 481,270</u>	<u>\$ 460,325</u>
Income tax expense at the statutory rate	\$ 99,013	\$ 115,390
Nondeductible expenses and tax-exempt income in determining taxable income	2,418	4,881
Unrecognized loss carryforwards and deductible temporary differences	(1,804)	(21,406)
Income tax on unappropriated earnings	6	1
Adjustment for prior year's tax	<u>312</u>	<u>825</u>
Income tax expense recognized in profit or loss	<u>\$ 99,945</u>	<u>\$ 99,691</u>

The local tax rate in Taiwan is 20%. The local tax rate in PRC is 25%. The tax rate in Korea is a progressive tax. The tax rate is 10% on the first KRW200 million of taxable income, 20% on taxable income over KRW200 million up to KRW20 billion, and 22% on taxable income over KRW20 billion. The local tax rates in Thailand, Indonesia and Malaysia are 20%, 22% and 24%, respectively.

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 11,709</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 106,794</u>	<u>\$ 68,071</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation expense	\$ 1,324	\$ (488)	\$ 836
Unrealized gross profit	2,221	1,667	3,888
Allowance for written-down inventories	1,377	(1,045)	332
Unrealized gain	<u>66</u>	<u>438</u>	<u>504</u>
	<u>\$ 4,988</u>	<u>\$ 572</u>	<u>\$ 5,560</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Financial assets at FVTPL	\$ 3,262	\$ 418	\$ 3,680
Defined benefit obligations	<u>141</u>	<u>35</u>	<u>176</u>
	<u>\$ 3,403</u>	<u>\$ 453</u>	<u>\$ 3,856</u>

- d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Loss carryforwards	<u>\$ 33,911</u>	<u>\$ 46,944</u>

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

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$311,205 thousand and \$305,908 thousand, respectively.

- f. Income tax assessments

The Company's income tax returns through 2020 have been examined by the tax authorities. The Company's subsidiaries are located in PRC, Korea, Indonesia and Thailand. The aforementioned tax authorities will not take the initiative to send tax return assessments to enterprises. When there are tax disputes, they issue a tax payment notice to enterprises and reserve the right to propose additional taxes.

21. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 5.09</u>	<u>\$ 4.81</u>
Diluted earnings per share	<u>\$ 5.08</u>	<u>\$ 4.81</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 381,325</u>	<u>\$ 360,634</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 381,325</u>	<u>\$ 360,634</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,986	74,986
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>66</u>	<u>33</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>75,052</u>	<u>75,019</u>

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the

Company assumes that the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. CAPITAL MANAGEMENT

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

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

23. FINANCIAL INSTRUMENTS

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

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

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

December 31, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 35,385	\$ -	\$ -	\$ 35,385

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

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 43,068	\$ 35,385
Financial assets at amortized cost (Note 1)	1,222,330	1,203,744

Financial liabilities

Financial liabilities measured at amortized cost (Note 2)	880,961	982,345
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Note 1: The balance includes financial assets at amortized cost, which comprise cash and cash equivalents (including pledged deposits), notes and trade receivables (included related parties), other receivables (included related parties) and guarantee deposits, etc.

Note 2: The balance includes financial liabilities at amortized cost, which comprise bank borrowings, short-term bills payable, notes and trade payables and other payables, etc.

d. Financial risk management objectives and policies

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

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

1) Market risk

The 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).

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar (“USD”).

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

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss*	\$ 5,970	\$ 42,558

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

b) Interest rate risk

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

Sensitivity analysis

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

A 0.5% increase or decrease has been used by the Group as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remaining unchanged, without taking into account capitalization of interests, if the interest rate increased by 0.5%, the profit and loss of the Group for the years ended 2022 and 2021 would have been decreased by \$2,026 thousand and \$946 thousand, respectively.

2) Credit risk

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

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

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

3) Liquidity risk

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

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

a) Liquidity and interest rate risk table

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

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

December 31, 2022

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Non-interest bearing liabilities</u>				
Notes payable and trade payables	-	\$ 40,094	\$ -	\$ 40,094
Other payables	-	51,394	-	51,394
Lease liabilities	-	695	-	695
<u>Interest bearing liabilities</u>				
Short-term borrowings	2.54%	<u>789,473</u>	<u>-</u>	<u>789,473</u>
		<u>\$ 881,656</u>	<u>\$ -</u>	<u>\$ 881,656</u>

December 31, 2021

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Non-interest bearing liabilities</u>				
Notes payable and trade payables	-	\$ 60,697	\$ -	\$ 60,697
Other payables	-	44,648	-	44,648
Lease liabilities	-	706	516	1,222
<u>Interest bearing liabilities</u>				
Short-term borrowings	0.85%	627,000	-	627,000
Short-term bills payable	0.86%	<u>250,000</u>	<u>-</u>	<u>250,000</u>
		<u>\$ 983,051</u>	<u>\$ 516</u>	<u>\$ 983,567</u>

b) Financing facilities

	<u>December 31</u>	
	2022	2021
Unsecured bank loan facilities:		
Amount unutilized	<u>\$ 1,545,192</u>	<u>\$ 1,144,440</u>

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

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Mechema Toda Corporation	Joint venture (please refer to Note 11)

b. Sales of goods

Line Item	Related Party Name	<u>For the Year Ended December 31</u>	
		2022	2021
Sales	Mechema Toda Corporation	<u>\$ 2,488,963</u>	<u>\$ 2,108,730</u>

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

c. Trade receivables from related parties

Related Party Name	December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 258,380</u>	<u>\$ 303,414</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized for trade receivables from related parties.

d. Other transactions with related parties

1) Rental income

Related Party Name	For the Year Ended December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 10,806</u>	<u>\$ 10,806</u>

2) Commission income

Related Party Name	For the Year Ended December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 3,252</u>	<u>\$ 1,101</u>

3) Other income

Related Party Name	For the Year Ended December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 22,523</u>	<u>\$ 23,923</u>

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

4) Other receivables from related parties

Related Party Name	December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 3,567</u>	<u>\$ 3,275</u>

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

4) Other payables to related parties

Related Party Name	December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 45</u>	<u>\$ -</u>

e. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries and wages	\$ 31,011	\$ 29,129
Post-employment benefits	<u>662</u>	<u>602</u>
	<u>\$ 31,673</u>	<u>\$ 29,731</u>

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

25. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank guarantee and the deposits for administrative purposes:

	December 31	
	2022	2021
Pledged deposits (classified as financial assets at amortized cost)		
Current	\$ 2,204	\$ 5,213
Non-current	<u>228</u>	<u>214</u>
	<u>\$ 2,432</u>	<u>\$ 5,427</u>

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group on December 31, 2022 and 2021 were as follows:

As of December 31, 2022, subsidiaries were guaranteed by the Company, which were \$122,840 thousand. Please refer to Table 2 of Note 30.

27. CASH FLOW INFORMATION

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

	For the Year Ended December 31	
	2022	2021
Increase in property, plant and equipment	\$ 30,213	\$ 10,891
(Increase) decrease in payables for purchased equipment	<u>(165)</u>	<u>1,944</u>
Payment in cash for the acquisition of property, plant and equipment	<u>\$ 30,048</u>	<u>\$ 12,835</u>

28. OTHERS

Management believes that the pandemic did not have a significant impact on the Group's operating continuation or asset impairment.

29. 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:

December 31, 2022

	Foreign Currency	Function Currency	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 7,537	NTD	30.71	\$ 231,468
USD	19	IDR	30.71	584
USD	960	KRW	30.71	29,480
USD	31	THB	30.71	952
USD	23	MYR	30.71	721
USD	448	USD	30.71	<u>13,764</u>
				<u>\$ 276,969</u>
<u>Financial liabilities</u>				
Monetary items				
USD	7,075	NTD	30.71	<u>\$ 217,267</u>
				<u>\$ 217,267</u>

December 31, 2021

	Foreign Currency	Function Currency	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 19,016	NTD	27.68	\$ 526,362
USD	19	IDR	27.68	528
USD	2,140	KRW	27.68	59,239
USD	3,357	THB	27.68	92,926
USD	34	MYR	27.68	950
USD	447	USD	27.68	<u>12,379</u>
				<u>\$ 692,384</u>
<u>Financial liabilities</u>				
Monetary items				
USD	2,895	THB	27.68	\$ 80,147
USD	2,031	KRW	27.68	56,231
USD	2,151	NTD	27.68	59,551
USD	1,007	IDR	27.68	27,881
USD	301	MYR	27.68	8,341
USD	1,252	RMB	27.68	<u>34,652</u>
				<u>\$ 266,803</u>

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

Information on foreign exchange gains and losses in 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	2021
Unrealized foreign exchange gain (loss)	\$ 1,803	\$ (2,099)
Realized foreign exchange gain	<u>80,004</u>	<u>530</u>
Net foreign exchange gain (loss)	<u>\$ 81,807</u>	<u>\$ (1,569)</u>

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

30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inflow and outflow of capital, percentage of ownership, investment gain or loss, ending balance, the amount received as dividends from the investee and limitation on investee. (Table 7)

- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 7)
 - a) The purchase amounts and percentage of total purchases and the payables' balances and percentage of the total payables at the end of the period.
 - b) The sales amount and percentage of total sales and the receivables' balances and percentage of the total receivables at the end of the period.
 - c) The amount of real estate property transactions and the amount of the related gains or losses.
 - d) The ending balance of negotiable instrument endorsements/guarantees or pledges of collateral and the related purposes.
 - e) The highest balance during the period, the ending balance, the interest rate range, and total interest for the period in respect of financial funding.
 - f) Other transactions that have a significant effect on the profit or loss or the financial position, such as the rendering or receipt of services.

c. Major Shareholder Information

Shareholder name, shareholding shares and proportion with share ratio is more than 5% (Table 9)

31. SEGMENT INFORMATION

a. Operating segments

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group focuses its business mainly on the manufacturing and sales of Cobalt and Manganese and their compounds, and the operating income of the operating activities accounts for more than 90% of the total revenue. According to IFRS 8, the Group has organized management and resource allocation in a single department.

b. Geographical information

The Group's non-current assets located in a single foreign country (excluding financial instruments, deferred tax assets and defined benefit assets) and information about its revenue by geographical location are detailed below:

	2022		2021	
	Non-current Assets	Net Sales	Non-current Assets	Net Sales
Taiwan	\$ 274,191	\$ 2,911,707	\$ 265,504	\$ 2,419,640
China	53,286	419,518	52,136	397,202
Korea	54,533	320,360	34,849	263,351
Thailand	14,413	334,991	14,654	167,624
Malaysia	7,311	35,543	7,034	32,129
Indonesia	7,351	158,054	5,901	171,088
Others	-	1,091,325	-	675,382
	<u>\$ 411,085</u>	<u>\$ 5,271,498</u>	<u>\$ 380,078</u>	<u>\$ 4,126,416</u>

c. Information on major customers

Customers representing more than 10% of the Group's total income as shown in the consolidated statements of comprehensive income were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Company A	\$ 2,488,963	47	\$ 2,108,730	51

TABLE 1

MECHEMA CHEMICALS INTERNATIONAL CORP. 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	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
0	The Company	Mechema Chemical (Malaysia) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,215 thousand)	US\$1,000 thousand (equivalent to NT\$30,710 thousand)	US\$300 thousand (equivalent to NT\$9,213 thousand)	4	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 150,121	\$ 450,363
		Mechema Chemical (Shang Yu) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,215 thousand)	US\$1,000 thousand (equivalent to NT\$30,710 thousand)	-	4	The need for short-term financing	-	Operating capital	-	-	-	150,121	450,363
		Mechema Chemical (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,215 thousand)	US\$1,000 thousand (equivalent to NT\$30,710 thousand)	-	4	The need for short-term financing	-	Operating capital	-	-	-	150,121	450,363

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

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

Note 3: According to the Company’s guidance of financing provided to others, the amount financing limit is based on the net value of the most recent financial statements reviewed or audited by the CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2022 were \$152,589 thousand and \$457,767 thousand, respectively, which were different from the amounts listed above, and the reason is that the financial statements of the Company for the year ended December 31, 2022 have not been audited by CPA at the announcement moment; thus, the Company announced the information based on the financial statement for the nine months ended September 30, 2022.

TABLE 2**MECHEMA CHEMICALS INTERNATIONAL CORP. 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		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 4)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	PT Mechemata Indonesia	b.	\$ 300,242	US\$50 thousand (equivalent to NT\$1,588 thousand)	-	\$ -	\$ -	-	\$ 450,363	Yes	No	No
		Mechemata Chemicals (Thailand) Co., Ltd.	b.	300,242	US\$400 thousand (equivalent to NT\$12,886 thousand)	US\$400 thousand (equivalent to NT\$12,284 thousand)	-	-	0.82	450,363	Yes	No	No
		Mechemata Korea Co., Ltd.	b.	300,242	US\$900 thousand (equivalent to NT\$28,994 thousand)	US\$900 thousand (equivalent to NT\$27,639 thousand)	-	-	1.84	450,363	Yes	No	No
		Mechemata Chemical (Xiamen) Co., Ltd.	b.	300,242	US\$900 thousand (equivalent to NT\$28,994 thousand)	US\$900 thousand (equivalent to NT\$27,639 thousand)	-	-	1.84	450,363	Yes	No	Yes
		Mechemata Chemical (Shang Yu) Co., Ltd.	b.	300,242	US\$1,800 thousand (equivalent to NT\$57,987 thousand)	US\$1,800 thousand (equivalent to NT\$55,278 thousand)	-	-	3.68	450,363	Yes	No	Yes

Note 1: The items are numbered as follows:

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

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

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

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

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

Note 5: According to the Company’s guidance of financing provided to others, the amount financing limit is based on the net value of the most recent financial statements reviewed or audited by the CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2022 were \$305,178 thousand and \$457,767 thousand, respectively, which were different from the amounts listed above, the reason is that the financial statements of the Company for the year ended December 31, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2022.

TABLE 3

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Mutual funds</u> Powerfund - Class A	-	FVTPL - current	350,333	<u>\$ 43,068</u>	-	<u>\$ 43,068</u>	

TABLE 4

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO 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)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Mechema Toda Corporation	Affiliates using the equity method	Sale	\$ (2,488,963)	(49)	90 days	\$ -	90 days	\$ 258,380	39	
	Mechema Chemicals (Thailand) Co., Ltd.	Subsidiary	Sale	(579,154)	(11)	240 days	-	240 days	195,646	29	
Mechema Chemicals (Thailand) Co., Ltd.	The Company	Parent	Purchase	579,154	95	240 days	-	240 days	(195,646)	(99)	
The Company	Mechema Korea Co., Ltd.	Subsidiary	Sale	(483,803)	(9)	240 days	-	240 days	31,850	5	
Mechema Korea Co., Ltd.	The Company	Parent	Purchase	483,803	97	240 days	-	240 days	(31,850)	(98)	
	The Company	Parent	Sale	(201,873)	(38)	240 days	-	240 days	-	-	
The Company	Mechema Korea Co., Ltd.	Subsidiary	Purchase	201,873	4	240 days	-	240 days	-	-	
Mechema Chemicals (Thailand) Co., Ltd.	PT Mechema Indonesia	Fellow subsidiary	Sale	(212,921)	(35)	240 days	-	240 days	75,293	35	
PT Mechema Indonesia	Mechema Chemicals (Thailand) Co., Ltd.	Fellow subsidiary	Purchase	212,921	93	240 days	-	240 days	(75,293)	(96)	
Mechema Chemicals (Thailand) Co., Ltd.	Mechema Chemical (Shang Yu) Co., Ltd.	Fellow subsidiary	Sale	(183,730)	(30)	240 days	-	240 days	108,542	51	
Mechema Chemical (Shang Yu) Co., Ltd.	Mechema Chemicals (Thailand) Co., Ltd.	Fellow subsidiary	Purchase	183,730	39	240 days	-	240 days	(108,542)	(96)	

TABLE 5

MECHEMA CHEMICALS INTERNATIONAL CORP. 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)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Mechema Chemicals (Thailand) Co., Ltd.	Subsidiary	\$ 195,646	4.20	\$ -	-	\$ 94,976	\$ -
	Mechema Toda Corporation	Affiliates using the equity method	258,380	8.86	-	-	258,380	-
Mechema Chemicals (Thailand) Co., Ltd.	Mechema Chemical (Shang Yu) Co., Ltd.	Fellow subsidiary	108,542	2.57	-	-	58,724	-

TABLE 6

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
The Company	Mechema Chemicals (Thailand) Co., Ltd.	Thailand	Manufacturing of oxidation catalysts	\$ 64,675	\$ 64,675	310,000	100.00	\$ 117,769	\$ (425)	\$ (425)	
	PT Mechema Indonesia	Indonesia	Manufacturing of oxidation catalysts	121,870	121,870	4,000	100.00	130,621	5,931	5,931	
	Mechema Korea Co., Ltd.	South Korea	Manufacturing of oxidation catalysts	125,529	125,529	876,404	100.00	144,869	(9,988)	(9,988)	
	Mechema Chemical (Malaysia) Co., Ltd.	Malaysia	Manufacturing of oxidation catalysts	49,042	49,042	5,000,000	100.00	(1,295)	(923)	(666)	
	Mechema Toda Corporation	Taiwan	Manufacturing of battery cathode materials	150,100	150,100	15,010,000	50.00	112,074	(17,344)	(8,672)	
	Catalyst Development Co., Ltd.	British Virgin Islands	Investment holding	270,419	270,419	8,100,000	100.00	477,485	10,445	10,445	

Note: Refer to Table 7 for the information on investments in mainland China.

TABLE 7

MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES

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

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Investee Company's Current Net Income	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Mechema Chemical (Xiamen) Co., Ltd.	Real estate business	\$ 113,751	Investee Companies in mainland China through a third party	US\$2,100 thousand (equivalent to NT\$72,847 thousand)	\$ -	\$ -	US\$2,100 thousand (equivalent to NT\$72,847 thousand)	\$ 3,867	100.00	\$ 3,867	\$ 59,000	\$ -
Mechema Chemical (Shang Yu) Co., Ltd.	Manufacturing of oxidation catalysts	197,572	Investee Companies in mainland China through a third party	US\$6,000 thousand (equivalent to NT\$197,572 thousand)	-	-	US\$6,000 thousand (equivalent to NT\$197,572 thousand)	6,549	100.00	6,549	404,721	-

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

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

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$8,100 thousand (Equivalent to NT\$270,419 thousand)	US\$8,100 thousand	\$900,726 thousand (\$1,501,210 thousand × 60%)

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

Investee Companies	Relationship	Transaction Type	Amount	Transaction Details			Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
				Price	Payment Terms	Compared with Terms of Third Parties	Balance	%	
Mechema Chemical (Shang Yu) Co., Ltd.	Subsidiary	Sale	\$ -	Negotiable	Net of 240 days from the end of the month in which the invoice is issued	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	\$ 3,071	0.5	\$ -

TABLE 8**MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Accounts	Amount	Transaction Details	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	The Company	Mechema Chemicals (Thailand) Co., Ltd.	a, b	Net revenue from sale of goods and purchases	\$ 579,154	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	11
		Mechema Chemicals (Thailand) Co., Ltd.	a, b	Receivables from and payables to related parties	195,646	Regular settlement or debit-credit offset	8
		Mechema Korea Co., Ltd.	a, b	Net revenue from sale of goods and purchases	483,803	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	9
		Mechema Korea Co., Ltd.	a, b	Purchases and net revenue from sale of goods	201,873	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	4
		Mechema Korea Co., Ltd.	a, b	Receivables from and payables to related parties	31,850	Regular settlement or debit-credit offset	1
1	Mechema Chemicals (Thailand) Co., Ltd.	PT Mechema Indonesia	c	Net revenue from sale of goods and purchases	212,921	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	4
		PT Mechema Indonesia	c	Receivables from and payables to related parties	75,293	Regular settlement or debit-credit offset	3
		Mechema Chemical (Shang Yu) Co., Ltd.	c	Net revenue from sale of goods and purchases	183,730	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	3
		Mechema Chemical (Shang Yu) Co., Ltd.	c	Receivables from and payables to related parties	108,542	Regular settlement or debit-credit offset	4

Note 1: The parent company and its subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries: 1 onward.

Note 2: Nature of relationship is indicated as follows:

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

Note 3: The percentage calculation is based on the consolidated total gross sales or total assets. For balance sheet items, each item is calculated as a percentage of the period-end balance of the consolidated total assets. For profit or loss items, each item is calculated as a percentage of interim cumulative amounts of the consolidated total gross sales.

TABLE 9**MECHEMA CHEMICALS INTERNATIONAL CORP. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

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

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

Appendix 2. Latest Annual Individual Financial Report:

Mechema Chemicals International Corp.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mechema Chemicals International Corp.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits of the financial statements for the years ended December 31, 2022 and 2021 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Recognition of Revenue

The main source of revenue of the Company comes from the sales of battery cathode material. Most of the sales were highly concentrated on major customers, which accounted for 49% of total sales revenue. Therefore, the management may be under pressure to meet the profit target. Since there is a significant risk, we considered the recognition of sales revenue as key audit matter.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2023

Notice to Readers

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

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

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)	\$ 101,801	4	\$ 92,520	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	43,068	2	35,385	1
Notes and trade receivables (Notes 4, 8 and 17)	174,805	7	107,807	5
Trade receivables from related parties (Notes 4, 17 and 22)	490,834	20	417,942	17
Other receivables (Note 4)	46,650	2	5,208	-
Other receivables from related parties (Notes 4 and 22)	12,820	1	11,616	-
Inventories (Notes 4 and 9)	300,657	12	301,717	13
Prepayments (Note 13)	10,110	-	182,118	8
Other current assets	<u>19,053</u>	<u>1</u>	<u>14,483</u>	<u>1</u>
Total current assets	<u>1,199,798</u>	<u>49</u>	<u>1,168,796</u>	<u>49</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 10)	981,523	40	955,643	40
Property, plant and equipment (Notes 4 and 11)	253,191	10	246,192	10
Right-of-use assets (Notes 4 and 12)	657	-	1,209	-
Deferred tax assets (Notes 4 and 18)	12,476	1	5,560	-
Prepaid equipment	9,844	-	8,750	1
Refundable deposits (Note 4)	3,203	-	3,203	-
Net defined benefit assets non-current (Notes 4 and 15)	1,741	-	217	-
Other non-current assets	<u>7,294</u>	<u>-</u>	<u>6,152</u>	<u>-</u>
Total non-current assets	<u>1,269,929</u>	<u>51</u>	<u>1,226,926</u>	<u>51</u>
TOTAL	<u>\$ 2,469,727</u>	<u>100</u>	<u>\$ 2,395,722</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 789,473	32	\$ 627,000	26
Short-term bills payable (Note 14)	-	-	250,000	11
Notes and trade payables	32,496	1	50,466	2
Other payables (Note 22)	33,045	2	24,942	1
Current tax liabilities (Notes 4 and 18)	102,119	4	53,279	2
Lease liabilities - current (Notes 4 and 12)	695	-	706	-
Other current liabilities	<u>5,268</u>	<u>-</u>	<u>3,571</u>	<u>-</u>
Total current liabilities	<u>963,096</u>	<u>39</u>	<u>1,009,964</u>	<u>42</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	5,421	-	3,856	-
Lease liabilities - non-current (Notes 4 and 12)	<u>-</u>	<u>-</u>	<u>516</u>	<u>-</u>
Total non-current liabilities	<u>5,421</u>	<u>-</u>	<u>4,372</u>	<u>-</u>
Total liabilities	<u>968,517</u>	<u>39</u>	<u>1,014,336</u>	<u>42</u>
EQUITY				
Ordinary shares (Note 16)	<u>749,863</u>	<u>30</u>	<u>749,863</u>	<u>31</u>
Capital surplus (Note 16)	<u>24,825</u>	<u>1</u>	<u>24,825</u>	<u>1</u>
Retained earnings (Note 16)				
Legal reserve	321,008	13	284,987	12
Special reserve	120,578	5	81,462	4
Unappropriated earnings	<u>383,444</u>	<u>16</u>	<u>360,827</u>	<u>15</u>
Total retained earnings	<u>825,030</u>	<u>34</u>	<u>727,276</u>	<u>31</u>
Other equity (Notes 4 and 16)				
Exchange differences on translating foreign operations	<u>(98,508)</u>	<u>(4)</u>	<u>(120,578)</u>	<u>(5)</u>
Total equity	<u>1,501,210</u>	<u>61</u>	<u>1,381,386</u>	<u>58</u>
TOTAL	<u>\$ 2,469,727</u>	<u>100</u>	<u>\$ 2,395,722</u>	<u>100</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 17 and 22)	\$ 5,110,732	100	\$ 3,835,476	100
COST OF GOODS SOLD (Notes 9, 17 and 22)	<u>4,691,229</u>	<u>91</u>	<u>3,463,215</u>	<u>91</u>
GROSS PROFIT	419,503	9	372,261	9
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	-	-	(8,335)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>7,185</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>426,688</u>	<u>9</u>	<u>363,926</u>	<u>9</u>
OPERATING EXPENSES (Notes 17 and 22)				
Selling and marketing expenses	36,688	1	32,196	1
General and administrative expenses	40,277	1	35,975	1
Research and development expenses	<u>14,450</u>	<u>-</u>	<u>11,288</u>	<u>-</u>
Total operating expenses	<u>91,415</u>	<u>2</u>	<u>79,459</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>335,273</u>	<u>7</u>	<u>284,467</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of associates and joint ventures (Notes 4 and 10)	(3,375)	-	98,362	3
Interest income (Note 22)	2,895	-	179	-
Rental income (Note 22)	10,806	-	10,806	-
Other income (Note 22)	27,994	1	42,346	1
Net foreign exchange gain (loss) (Notes 4 and 26)	110,185	2	(5,747)	-
Gain on valuation of financial assets at FVTPL	7,683	-	2,087	-
Finance costs	<u>(13,400)</u>	<u>-</u>	<u>(6,089)</u>	<u>-</u>
Total non-operating income and expenses	<u>142,788</u>	<u>3</u>	<u>141,944</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	478,061	10	426,411	11
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(96,736)</u>	<u>(2)</u>	<u>(65,777)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>381,325</u>	<u>8</u>	<u>360,634</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS)				

(Continued)

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	1,377	-	(423)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 4)	<u>22,070</u>	<u>-</u>	<u>(39,116)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>23,447</u>	<u>-</u>	<u>(39,539)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 404,772</u>	<u>8</u>	<u>\$ 321,095</u>	<u>8</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 5.09</u>		<u>\$ 4.81</u>	
Diluted	<u>\$ 5.08</u>		<u>\$ 4.81</u>	

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

(Concluded)

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

			Retained Earnings		Unappropriated	Others	
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2021	\$ 749,863	\$ 24,825	\$ 272,649	\$ 74,666	\$ 123,981	\$ (81,462)	\$ 1,164,522
Appropriation of 2020 earnings							
Legal reserve	-	-	12,338	-	(12,338)	-	-
Special reserve	-	-	-	6,796	(6,796)	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	360,634	-	360,634
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	(423)	(39,116)	(39,539)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	360,211	(39,116)	321,095
BALANCE AT DECEMBER 31, 2021	749,863	24,825	284,987	81,462	465,058	(120,578)	1,485,617
Appropriation of 2021 earnings							
Legal reserve	-	-	36,021	-	(36,021)	-	-
Special reserve	-	-	-	39,116	(39,116)	-	-
Cash dividends distributed by the Company	-	-	-	-	(284,948)	-	(284,948)
Net profit for the year ended December 31, 2022	-	-	-	-	381,325	-	381,325
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	1,377	22,070	23,447
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	382,702	22,070	404,772
BALANCE AT DECEMBER 31, 2022	\$ 749,863	\$ 24,825	\$ 321,008	\$ 120,578	\$ 487,675	\$ (98,508)	\$ 1,605,441

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 478,061	\$ 426,411
Adjustments for:		
Depreciation expense	13,405	11,674
Amortization expense	2,786	1,540
Net gain on fair value changes of financial assets at fair value through profit or loss	(7,683)	(2,087)
Finance costs	13,400	6,089
Interest income	(2,895)	(179)
Share of profit or loss of associates and joint ventures	3,375	(98,362)
(Realized) unrealized gain on transactions with associates and joint ventures	(7,185)	8,335
Changes in operating assets and liabilities:		
Notes and trade receivables	(66,998)	(46,976)
Trade receivables from related parties	(72,892)	(353,368)
Other receivables	(41,442)	2,152
Other receivables from related parties	(292)	(1,040)
Inventories	1,642	(201,611)
Prepayments	172,008	(143,289)
Other current assets	(4,570)	(9,947)
Defined benefit assets	(147)	(179)
Notes and trade payables	(17,970)	3,790
Trade payables to related parties	-	(16,890)
Other payables	8,103	8,045
Other current liabilities	1,043	23
Cash generated from (used in) operations	471,749	(405,869)
Interest received	2,892	160
Interest paid	(12,911)	(5,977)
Income taxes paid	(53,247)	(36,139)
Net cash generated from (used in) operating activities	408,483	(447,825)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(8,254)	(5,225)
Decrease in refundable deposits	-	960
(Increase) decrease in other receivables from related parties	(909)	240
Increase in long-term prepaid expenses	(3,928)	(6,102)
Increase in prepaid equipment	(12,758)	(19,664)
Net cash used in investing activities	(25,849)	(29,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	162,473	376,092
(Repayments of) proceeds from short-term bills payable	(250,000)	225,000
Repayment of the principal portion of lease liabilities	(878)	(1,245)

(Continued)

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

	2022	2021
Dividends paid to owners of the Company	<u>(284,948)</u>	<u>(104,231)</u>
Net cash (used in) generated from financing activities	<u>(373,353)</u>	<u>495,616</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,281	18,000
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>92,520</u>	<u>74,520</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 101,801</u>	<u>\$ 92,520</u>

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

(Concluded)

MECHEMA CHEMICALS INTERNATIONAL CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL INFORMATION

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

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

Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2022 is NT\$749,863 thousand.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on March 22, 2023.

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

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

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

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

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

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

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
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 financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

Foreign Currencies

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

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

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

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

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

Inventories

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

Investments in Subsidiaries

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

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

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

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

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

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

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

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

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

Investments in Joint ventures

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of

the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

2) Impairment of financial assets and contract assets

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

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

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

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

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.

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Revenue Recognition

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

Sale of goods

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

Leasing

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the

risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

2) The Company as lessee

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

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

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

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

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

Lease liabilities are presented on a separate line in the balance sheets.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive

income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

Taxation

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

a. Current tax

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

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

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

b. Deferred tax

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

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

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

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 169	\$ 168
Checking accounts and demand deposits	<u>101,632</u>	<u>92,352</u>
	<u>\$ 101,801</u>	<u>\$ 92,520</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at fair value through profit or loss - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 43,068</u>	<u>\$ 35,385</u>

8. NOTES AND TRADE RECEIVABLES

	December 31	
	2022	2021
Notes receivable	\$ -	\$ 252
Trade receivables	<u>176,749</u>	<u>108,788</u>
	176,749	109,040
Less: Allowance for impairment loss	<u>(1,944)</u>	<u>(1,233)</u>
	<u>\$ 174,805</u>	<u>\$ 107,807</u>

Notes And Trade Receivables at Amortized Cost

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

The Company measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and accounts receivable are estimated using a provision matrix

by reference to the past default experience of the debtor and an analysis of the debtor's current financial position and adjusted for general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2022

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

December 31, 2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 82,260	\$ 23,563	\$ 3,217	\$ -	\$ -	\$ 109,040
Loss allowance (Lifetime ECL)	<u>(1,211)</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,233)</u>
Amortized cost	<u>\$ 81,049</u>	<u>\$ 23,541</u>	<u>\$ 3,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,807</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at the beginning of the period	\$ 1,233	\$ 824
Add: Impairment losses recognized	<u>711</u>	<u>409</u>
Balance at the end of the period	<u>\$ 1,944</u>	<u>\$ 1,233</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 37,320	\$ 123,446
Work in process	73,276	69,457
Raw materials	<u>190,061</u>	<u>108,814</u>
	<u>\$ 300,657</u>	<u>\$ 301,717</u>

The cost of inventories recognized as the cost of goods sold for the years ended December 31, 2022 and 2021 was \$4,691,229 thousand and \$3,463,215 thousand, respectively. The cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$45,699 thousand and reversals of inventory write-downs of \$5,219 thousand, respectively. The reversal of inventory write-downs was due to increased selling prices in certain markets.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 869,449	\$ 828,583
Investments in joint ventures	<u>112,074</u>	<u>127,060</u>
	<u>\$ 981,523</u>	<u>\$ 955,643</u>

Investments in Subsidiaries

	December 31, 2022		December 31, 2021	
	Original Cost	Carrying Amount	Original Cost	Carrying Amount
Mechema Chemicals (Thailand) Co., Ltd.	\$ 64,675	\$ 117,769	\$ 64,675	\$ 105,560
PT Mechema Indonesia	121,870	130,621	121,870	123,495
Mechema Korea Co., Ltd.	125,529	144,869	125,529	140,997
Mechema Chemical (Malaysia) Co., Ltd.	49,042	(1,295)	49,042	(604)
Catalyst Development Co., Ltd.	<u>270,419</u>	<u>477,485</u>	<u>270,419</u>	<u>459,135</u>
	<u>\$ 631,535</u>	<u>\$ 869,449</u>	<u>\$ 631,535</u>	<u>\$ 828,583</u>

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

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

	December 31	
	2022	2021
Mechema Chemicals (Thailand) Co., Ltd.	100%	100%
PT Mechema Indonesia	100%	100%
Mechema Korea Co., Ltd.	100%	100%
Mechema Chemical (Malaysia) Co., Ltd.	100%	100%
Catalyst Development Co., Ltd.	100%	100%

For details on subsidiaries indirectly owned by the Company, refer to Table 6 of Note 27.

Investments in Joint Ventures

	December 31, 2022		December 31, 2021	
	Original Cost	Carrying Amount	Original Cost	Carrying Amount
<u>Unlisted companies</u>				

Mechema Toda Corporation	<u>\$ 150,100</u>	<u>\$ 112,074</u>	<u>\$ 150,100</u>	<u>\$ 127,060</u>
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The proportion of the Company's ownership was as follows:

	December 31	
	2022	2021
Mechema Toda Corporation	50%	50%

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

Refer to Table 6 of Note 27 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the joint ventures.

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

	December 31	
	2022	2021
Cash and cash equivalents	<u>\$ 7,729</u>	<u>\$ 11,938</u>
Current financial liabilities (exclude trade payables, other payables and provisions)	<u>\$ 256,635</u>	<u>\$ 288,353</u>
Current assets	<u>\$ 686,383</u>	<u>\$ 782,609</u>
Non-current assets	<u>\$ 81,715</u>	<u>\$ 92,998</u>
Current liabilities	<u>\$ 529,670</u>	<u>\$ 619,836</u>
Non-current liabilities	<u>\$ -</u>	<u>\$ -</u>

	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 2,574,615</u>	<u>\$ 2,089,507</u>
Depreciation expenses and amortization expenses	<u>\$ 37,411</u>	<u>\$ 40,811</u>
Net exchange gain	<u>\$ 18,778</u>	<u>\$ 4,396</u>
Income tax (benefits)/expenses	<u>\$ (1,185)</u>	<u>\$ 4,620</u>
Net loss for the year	<u>\$ (17,344)</u>	<u>\$ (9,170)</u>
Dividends received	<u>\$ -</u>	<u>\$ -</u>
Net loss attributable to preferred stock	<u>\$ -</u>	<u>\$ -</u>
Net loss attributable to common stock	<u>(17,344)</u>	<u>(9,170)</u>
	<u>\$ (17,344)</u>	<u>\$ (9,170)</u>

For the years ended December 31, 2022 and 2021, the detail of share of profit or loss of joint ventures were as follows:

	For the Year Ended December 31	
	2022	2021
Attributable to preferred stock	<u>\$ -</u>	<u>\$ -</u>
Attributable to common stock	<u>(8,672)</u>	<u>(4,585)</u>
	<u>\$ (8,672)</u>	<u>\$ (4,585)</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 145,280	\$ 128,014	\$ 34,161	\$ 5,483	\$ 618	\$ 5,932	\$ 319,488
Additions	-	981	4,449	394	1,737	858	8,419
Transfer from prepayments for equipment	-	2,353	7,406	152	1,171	-	11,082
Balance at December 31, 2022	<u>\$ 145,280</u>	<u>\$ 131,348</u>	<u>\$ 46,016</u>	<u>\$ 6,029</u>	<u>\$ 3,526</u>	<u>\$ 6,790</u>	<u>\$ 338,989</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 56,168	\$ 10,731	\$ 4,171	\$ 98	\$ 2,128	\$ 73,296
Depreciation	-	4,975	5,456	730	463	878	12,502
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 61,143</u>	<u>\$ 16,187</u>	<u>\$ 4,901</u>	<u>\$ 561</u>	<u>\$ 3,006</u>	<u>\$ 85,798</u>
Carrying amount at December 31, 2022	<u>\$ 145,280</u>	<u>\$ 70,205</u>	<u>\$ 29,829</u>	<u>\$ 1,128</u>	<u>\$ 2,965</u>	<u>\$ 3,784</u>	<u>\$ 253,191</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 145,280	\$ 155,701	\$ 24,705	\$ 4,861	\$ 391	\$ 4,520	\$ 335,458
Additions	-	242	5,184	622	543	577	7,168
Disposals	-	(28,376)	(8,816)	-	(316)	(485)	(37,993)
Transfer from prepayments for equipment	-	447	13,088	-	-	1,320	14,855
Balance at December 31, 2021	<u>\$ 145,280</u>	<u>\$ 128,014</u>	<u>\$ 34,161</u>	<u>\$ 5,483</u>	<u>\$ 618</u>	<u>\$ 5,932</u>	<u>\$ 319,488</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 79,197	\$ 15,976	\$ 3,198	\$ 327	\$ 2,042	\$ 100,740
Depreciation	-	5,347	3,571	973	87	571	10,549
Disposals	-	(28,376)	(8,816)	-	(316)	(485)	(37,993)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 56,168</u>	<u>\$ 10,731</u>	<u>\$ 4,171</u>	<u>\$ 98</u>	<u>\$ 2,128</u>	<u>\$ 73,296</u>
Carrying amount at December 31, 2021	<u>\$ 145,280</u>	<u>\$ 71,846</u>	<u>\$ 23,430</u>	<u>\$ 1,312</u>	<u>\$ 520</u>	<u>\$ 3,804</u>	<u>\$ 246,192</u>

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Transportation equipment	<u>\$ 657</u>	<u>\$ 1,209</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>

Additions to right-of-use assets	<u>\$ 351</u>	<u>\$ 1,335</u>
Depreciation charge for right-of-use assets		
Transportation equipment	<u>\$ 903</u>	<u>\$ 1,125</u>

Other than the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Company's right-of-use assets in 2022 and 2021.

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Current	\$ 695	\$ 706
Non-current	<u>-</u>	<u>516</u>
	<u>\$ 695</u>	<u>\$ 1,222</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Transportation equipment	1%	1%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	<u>\$ 1,000</u>	<u>\$ 1,335</u>

13. PREPAYMENTS

Prepayments are the prepayment to the vendors of inventory.

14. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Line of credit borrowings	<u>\$ 789,473</u>	<u>\$ 627,000</u>

The above amounts represented revolving facility (for operating capital demand) of bank loan. The range of weighted average effective interest rates on bank loans was 1.40%-5.67% and 0.84%-0.85% per annum at December 31, 2022 and 2021.

b. Short-term bills payable

	<u>December 31</u>
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	2022	2021
Commercial paper	\$ <u> -</u>	\$ <u>250,000</u>

Outstanding short-term bills payable were as follows:

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Dah Chung Bills Finance Corporation	\$ 50,000	\$ -	\$ 50,000	0.86%	-	\$ -
Mega Bills Finance Co., Ltd.	50,000	-	50,000	0.87%	-	-
Taiwan Finance Corporation	50,000	-	50,000	0.85%	-	-
Ta Ching Bills Finance Corporation	50,000	-	50,000	0.85%	-	-
International Bills Finance Corporation	<u>50,000</u>	<u>-</u>	<u>50,000</u>	0.87%	-	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>			<u>\$ -</u>

The commercial papers were not discounted because the effect was not material.

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

15. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

- b. Defined benefit plans

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

16. EQUITY

- a. Share capital

Ordinary shares

	December 31	
	2022	2021
Numbers of shares authorized (in thousands)	<u>86,000</u>	<u>86,000</u>
Shares authorized	<u>\$ 860,000</u>	<u>\$ 860,000</u>
Number of shares issued and fully paid (in thousands)	<u>74,986</u>	<u>74,986</u>
Shares issued	<u>\$ 749,863</u>	<u>\$ 749,863</u>

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

b. Capital surplus

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

c. Retained earnings and dividends policy

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

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

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

In addition to referring general distribution level of dividends, the Company's dividend policy is based on the consideration of the future capital needs and long-term financial planning.

Shareholders' dividends and bonuses shall be appropriated for an amount more than 50% of the distributable earnings in the current year; also, the distribution of dividends shall include at least 10% in cash and 90% in stock.

The type of distribution may change according to circumstances of profitability and capital, and may be adjusted during the annual shareholders' meeting.

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

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 22, 2022 and July 7, 2021, respectively, and were as follows:

	Appropriation of Earnings	
	2021	2020
Legal reserve	\$ 36,021	\$ 12,338
Special reserve	\$ 39,116	\$ 6,796
Cash dividends	\$ 284,948	\$ 104,231
Cash dividends per share (NT\$)	\$ 3.80	\$ 1.39

The appropriation of earnings for 2022, which was proposed by the Company's board of directors on March 22, 2023, was as follows:

	2022
Legal reserve	\$ 38,270
Special reserve	\$ (22,070)
Cash dividends	\$ 344,937
Cash dividends per share (NT\$)	\$ 4.60

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 27, 2023.

d. Special reserve

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

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

As of December 31, 2021 and 2020, exchange differences on translating foreign operations were negative and exceeded the amount on account.

In response to the aforementioned regulations, the Company recognized special reserves of \$39,116 thousand and \$6,796 thousand, respectively, which were made in the appropriations of earnings for 2021 and 2020.

e. Other equity

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

17. NET PROFIT

a. Net revenue

For the Year Ended December 31	
2022	2021

Revenue from contracts with customers

Revenue from sale of goods	<u>\$ 5,110,732</u>	<u>\$ 3,835,476</u>
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1) Contract information

Revenue from the sale of goods

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

2) Contact balances

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes and trades receivable, net (Note 8)	<u>\$ 174,805</u>	<u>\$ 107,807</u>
Trades receivable from related parties (Note 22)	<u>\$ 490,834</u>	<u>\$ 417,942</u>

3) Disaggregation of revenue from customer contracts

2022

	Battery Material Department	Oxidation Catalyst	Total
Sale of goods	<u>\$ 2,488,963</u>	<u>\$ 2,621,769</u>	<u>\$ 5,110,732</u>

2021

	Battery Material Department	Oxidation Catalyst	Total
Sale of goods	<u>\$ 2,108,730</u>	<u>\$ 1,726,746</u>	<u>\$ 3,835,476</u>

b. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 12,502	\$ 10,549
Right-of-use assets	903	1,125
Long-term prepaid expenses	<u>2,786</u>	<u>1,540</u>
	<u>\$ 16,191</u>	<u>\$ 13,214</u>
An analysis of deprecation by function		
Operating costs	\$ 9,881	\$ 7,460
Operating expenses	<u>3,524</u>	<u>4,214</u>

	<u>\$ 13,405</u>	<u>\$ 11,674</u>
An analysis of amortization by function		
Operating costs	\$ 2,371	\$ 1,173
Operating expenses	<u>415</u>	<u>367</u>
	<u>\$ 2,786</u>	<u>\$ 1,540</u>

c. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term benefits		
Salaries and wages	\$ 61,622	\$ 55,832
Insurance premiums for employee	<u>4,363</u>	<u>3,926</u>
	<u>65,985</u>	<u>59,758</u>
Post-employment benefits (Note 15)		
Defined contribution plans	<u>1,730</u>	<u>1,666</u>
Other employee benefits	<u>4,165</u>	<u>3,541</u>
Total employee benefits expense	<u>\$ 71,880</u>	<u>\$ 64,965</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 28,145	\$ 25,278
Operating expenses	<u>43,735</u>	<u>39,687</u>
	<u>\$ 71,880</u>	<u>\$ 64,965</u>

- d. The Company distributed employees' compensation and directors' remuneration at the rates of not less than 1% and not higher than 5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors on March 22, 2023 and March 17, 2022, respectively, were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Employees' compensation In Cash</u>	<u>Remuneration of directors In Cash</u>	<u>Employees' compensation In Cash</u>	<u>Remuneration of directors In Cash</u>
Amounts approved in the board of directors' meeting	<u>\$ 5,896</u>	<u>\$ 2,200</u>	<u>\$ 4,330</u>	<u>\$ 2,000</u>
Amounts recognized in the annual financial statements	<u>\$ 5,896</u>	<u>\$ 2,000</u>	<u>\$ 4,330</u>	<u>\$ 2,000</u>

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

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

18. INCOME TAX

- a. Income tax expense recognized in profit or loss⁴

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current period	\$ 102,364	\$ 66,362
Income tax on unappropriated earnings	6	1
Adjustments for prior year	<u>(283)</u>	<u>(467)</u>
	<u>102,087</u>	<u>65,896</u>
Deferred tax		
In respect of the current period	<u>(5,351)</u>	<u>(119)</u>
Income tax expense recognized in profit or loss	<u>\$ 96,736</u>	<u>\$ 65,777</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 478,061</u>	<u>\$ 426,411</u>
Income tax expense at the statutory rate (20%)	\$ 95,612	\$ 85,282
Nondeductible expenses and tax-exempt income in determining taxable income	2,460	1,551
Unrecognized deductible temporary differences	(1,059)	(20,590)
Income tax on unappropriated earnings	6	1
Adjustment for prior year's tax	<u>(283)</u>	<u>(467)</u>
Income tax expense recognized in profit or loss	<u>\$ 96,736</u>	<u>\$ 65,777</u>

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 102,119</u>	<u>\$ 53,279</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation expense	\$ 836	\$ (487)	\$ 349
Unrealized gross profit	3,888	(1,437)	2,451
Allowance for written down inventories	332	9,140	9,472
Unrealized gain	<u>504</u>	<u>(300)</u>	<u>204</u>
	<u>\$ 5,560</u>	<u>\$ 6,916</u>	<u>\$ 12,476</u>

Deferred tax liabilities

Temporary differences			
Financial assets at FVTPL	\$ 3,680	\$ 1,536	\$ 5,216
Defined benefit obligations	<u>176</u>	<u>29</u>	<u>205</u>
	<u>\$ 3,856</u>	<u>\$ 1,565</u>	<u>\$ 5,421</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Depreciation expense	\$ 1,324	\$ (488)	\$ 836
Unrealized gross profit	2,221	1,667	3,888
Allowance for written down inventories	1,377	(1,045)	332
Unrealized gain	<u>66</u>	<u>438</u>	<u>504</u>
	<u>\$ 4,988</u>	<u>\$ 572</u>	<u>\$ 5,560</u>

Deferred tax liabilities

Temporary differences			
Financial assets at FVTPL	\$ 3,262	\$ 418	\$ 3,680
Defined benefit obligations	<u>141</u>	<u>35</u>	<u>176</u>
	<u>\$ 3,403</u>	<u>\$ 453</u>	<u>\$ 3,856</u>

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

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$311,205 thousand and \$305,908 thousand, respectively.

- e. Income tax examination

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

19. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 5.09</u>	<u>\$ 4.81</u>
Diluted earnings per share	<u>\$ 5.08</u>	<u>\$ 4.81</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 381,325</u>	<u>\$ 360,634</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 381,325</u>	<u>\$ 360,634</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	74,986	74,986
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>66</u>	<u>33</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>75,052</u>	<u>75,019</u>

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

20. CAPITAL MANAGEMENT

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

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

21. FINANCIAL INSTRUMENTS

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

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

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

December 31, 2022

Level 1	Level 2	Level 3	Total
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Financial assets at FVTPL

Mutual funds	\$ 43,068	\$ -	\$ -	\$ 43,068
<u>December 31, 2021</u>				

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				

Mutual funds	\$ 35,385	\$ -	\$ -	\$ 35,385
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There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 43,068	\$ 35,385
Financial assets at amortized cost (Note 1)	830,113	638,296

Financial liabilities

Financial liabilities measured at amortized cost (Note 2)	855,014	952,408
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Note 1: The balance includes financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (included related parties), other receivables (included related parties) and guarantee deposits, etc.

Note 2: The balance includes financial liabilities at amortized cost, which comprise bank borrowings, short-term bills payable, notes and trade payables and other payables, etc.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

The Company has foreign currency-denominated transactions that are exposed to the risk caused by the fluctuation of exchange rates in the market. To monitor the risk, the responsible team of

the Company reviews constantly the portion of assets and liabilities that are exposed to the risk and makes the appropriate adjustments so as to control any risk arising from the fluctuation of exchange rates.

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

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 26.

Sensitivity analysis

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

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

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss*	\$ 1,420	\$ 46,681

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

b) Interest rate risk

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

Sensitivity analysis

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

A 0.5% increase or decrease has been used by the Company as a reasonable estimation of interest rate fluctuation when reporting to the management. With other variations remaining unchanged, without taking into account capitalization of interests, if the interest rate increased by 0.5%, the profit and loss of the Company for the years ended 2022 and 2021 would have been decreased by \$3,439 thousand and \$2,673 thousand, respectively.

2) Credit risk

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

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

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

3) Liquidity risk

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

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

a) Liquidity and interest rate risk table

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

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

December 31, 2022

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Non-interest bearing liabilities</u>				
Notes payable and trade payables (included related parties)	-	\$ 32,496	\$ -	\$ 32,496
Other payables	-	33,045	-	33,045

Lease liabilities	-	695	-	695
<u>Interest bearing liabilities</u>				
Short-term borrowings	2.54%	<u>789,473</u>	<u>-</u>	<u>789,473</u>
		<u>\$ 855,709</u>	<u>\$ -</u>	<u>\$ 855,709</u>

December 31, 2021

	Weighted Average Effective Interest Rate (%)	Less Than 1 Year	1 Year to 5 Years	Total
<u>Non-interest bearing liabilities</u>				
Notes payable and trade payables (included related parties)	-	\$ 50,466	\$ -	\$ 50,466
Other payables	-	24,942	-	24,942
Lease liabilities	-	706	516	1,222
<u>Interest bearing liabilities</u>				
Short-term borrowings	0.85%	627,000	-	627,000
Short-term bills payable	0.86%	<u>250,000</u>	<u>-</u>	<u>250,000</u>
		<u>\$ 953,114</u>	<u>\$ 516</u>	<u>\$ 953,630</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank loan facilities:		
Amount unutilized	<u>\$ 1,545,192</u>	<u>\$ 1,144,440</u>

22. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and relationship

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

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Sales	Mechema Toda Corporation	\$ 2,488,963	\$ 2,108,730
	Mechema Chemicals (Thailand) Co., Ltd.	579,154	316,556
	Mechema Korea Co., Ltd.	483,803	344,523
	Subsidiary	<u>9,024</u>	<u>46,743</u>
		<u>\$ 3,560,944</u>	<u>\$ 2,816,552</u>

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

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Mechema Korea Co., Ltd.	\$ 201,873	\$ 142,673
Subsidiary	<u>-</u>	<u>13,118</u>
	<u>\$ 201,873</u>	<u>\$ 155,791</u>

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

d. Trade receivables from related parties

Related Party Category/Name	December 31	
	2022	2021
Mechema Toda Corporation	\$ 258,380	\$ 303,414
Mechema Chemicals (Thailand) Co., Ltd.	195,646	80,147
Mechema Korea Co., Ltd.	31,850	30,041
Subsidiary	<u>4,958</u>	<u>4,340</u>
	<u>\$ 490,834</u>	<u>\$ 417,942</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized for trade receivables from related parties.

e. Other transactions with related parties

1) Rental income

Related Party Name	For the Year Ended December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 10,806</u>	<u>\$ 10,806</u>

2) Commission income

Related Party Name	For the Year Ended December 31	
	2022	2021
Mechema Toda Corporation	\$ 3,252	\$ 1,101
Mechema Chemicals (Thailand) Co., Ltd.	<u>-</u>	<u>10,415</u>
	<u>\$ 3,252</u>	<u>\$ 11,516</u>

3) Other income

Related Party Name	For the Year Ended December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 22,523</u>	<u>\$ 23,923</u>

4) Other receivables from related parties

a) Not classified as loans to related parties

Related Party Name	December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 3,567</u>	<u>\$ 3,275</u>

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

b) Loans to related parties

Related Party Name	December 31	
	2022	2021
Mechema Chemical (Malaysia) Co., Ltd.	<u>\$ 9,253</u>	<u>\$ 8,341</u>

The unsecured short-term borrowing provided to Mechema Chemical (Malaysia) Co., Ltd. by The Company was \$9,213 thousand and \$8,304 thousand, respectively. The range of weighted average effective interest rates was 4% and 3% per annum on December 31, 2022 and 2021. The interest income was \$288 thousand and \$147 thousand, respectively. On December 31, 2022 and 2021, interest receivable was \$40 thousand and \$37 thousand, respectively.

5) Other payables to related parties

Related Party Name	December 31	
	2022	2021
Mechema Toda Corporation	<u>\$ 45</u>	<u>\$ -</u>

f. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries and wages	\$ 14,882	\$ 13,653
Post-employment benefits	<u>534</u>	<u>534</u>
	<u>\$ 15,416</u>	<u>\$ 14,187</u>

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

23. CASH FLOW INFORMATION

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

	For the Year Ended December 31	
	2022	2021
Increase in property, plant and equipment	\$ 8,419	\$ 7,168
Increase in payables for purchased equipment	<u>(165)</u>	<u>(1,943)</u>
Payment in cash for the acquisition of property, plant and equipment	<u>\$ 8,254</u>	<u>\$ 5,225</u>

24. OTHERS

Management believes that the pandemic did not have a significant impact on the Company's operating continuation or asset impairment.

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company on December 31, 2022 and 2021 were as follows:

As of December 31, 2022, subsidiaries were guaranteed by the Company, which were \$122,840 thousand. Please refer to Table 2 of Note 27.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

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

Financial liabilities

Monetary items			
USD	7,075	30.71	<u>\$ 217,267</u>

December 31, 2021

	Foreign Currency	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,016	27.68	<u>\$ 526,362</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,151	27.68	<u>\$ 59,551</u>

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

Information on foreign exchange gains and losses in 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Unrealized foreign exchange gain (loss)	\$ 1,013	\$ (2,518)
Realized foreign exchange gain (loss)	<u>109,172</u>	<u>(3,229)</u>
Net foreign exchange gain (loss)	<u>\$ 110,185</u>	<u>\$ (5,747)</u>

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

27. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees

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

10) Information on investees (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inflow and outflow of capital, percentage of ownership, investment gain or loss, ending balance, the amount received as dividends from the investee and limitation on investee. (Table 7)
- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 7)
 - a) The purchase amounts and percentage of total purchases and the payables' balances and percentage of the total payables at the end of the period.
 - b) The sales amount and percentage of total sales and the receivables' balances and percentage of the total receivables at the end of the period.
 - c) The amount of real estate property transactions and the amount of the related gains or losses.
 - d) The ending balance of negotiable instrument endorsements/guarantees or pledges of collateral and the related purposes.
 - e) The highest balance during the period, the ending balance, the interest rate range, and total interest for the period in respect of financial funding.
 - f) Other transactions that have a significant effect on the profit or loss or the financial position, such as the rendering or receipt of services.

c. Major Shareholder Information

Shareholder name, shareholding shares and proportion with share ratio is more than 5% (Table 8)

28. SEGMENT INFORMATION

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

TABLE 1

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
0	The Company	Mechema Chemical (Malaysia) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,215 thousand)	US\$1,000 thousand (equivalent to NT\$30,710 thousand)	US\$300 thousand (equivalent to NT\$9,213 thousand)	4	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 150,121	\$ 450,363
		Mechema Chemical (Shang Yu) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,215 thousand)	US\$1,000 thousand (equivalent to NT\$30,710 thousand)	-	4	The need for short-term financing	-	Operating capital	-	-	-	150,121	450,363
		Mechema Chemical (Xiamen) Co., Ltd.	Other receivables from related parties	Yes	US\$1,000 thousand (equivalent to NT\$32,215 thousand)	US\$1,000 thousand (equivalent to NT\$30,710 thousand)	-	4	The need for short-term financing	-	Operating capital	-	-	-	150,121	450,363

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

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

Note 3: According to the Company’s guidance of financing provided to others, the amount financing limit is based on the net value of the most recent financial statements reviewed or audited by the CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2022 were \$152,589 thousand and \$457,767 thousand, respectively, which were different from the amounts listed above, and the reason is that the financial statements of the Company for the year ended December 31, 2022 have not been audited by CPA at the announcement moment; thus, the Company announced the information based on the financial statement for the nine months ended September 30, 2022.

TABLE 2

MECHEMA CHEMICALS INTERNATIONAL CORP.

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		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 4)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	PT Mechemata Indonesia	b.	\$ 300,242	US\$50 thousand (equivalent to NT\$1,588 thousand)	-	\$ -	\$ -	-	\$ 450,363	Yes	No	No
		Mechemata Chemicals (Thailand) Co., Ltd.	b.	300,242	US\$400 thousand (equivalent to NT\$12,886 thousand)	US\$400 thousand (equivalent to NT\$12,284 thousand)	-	-	0.82	450,363	Yes	No	No
		Mechemata Korea Co., Ltd.	b.	300,242	US\$900 thousand (equivalent to NT\$28,994 thousand)	US\$900 thousand (equivalent to NT\$27,639 thousand)	-	-	1.84	450,363	Yes	No	No
		Mechemata Chemical (Xiamen) Co., Ltd.	b.	300,242	US\$900 thousand (equivalent to NT\$28,994 thousand)	US\$900 thousand (equivalent to NT\$27,639 thousand)	-	-	1.84	450,363	Yes	No	Yes
		Mechemata Chemical (Shang Yu) Co., Ltd.	b.	300,242	US\$1,800 thousand (equivalent to NT\$57,987 thousand)	US\$1,800 thousand (equivalent to NT\$55,278 thousand)	-	-	3.68	450,363	Yes	No	Yes

Note 1: The items are numbered as follows:

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

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

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

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

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

Note 5: According to the Company’s guidance of financing provided to others, the amount financing limit is based on the net value of the most recent financial statements reviewed or audited by the CPA. The information on the limit of endorsements/guarantees announced by the Company in December 2022 were \$305,178 thousand and \$457,767 thousand, respectively, which were different from the amounts listed above, the reason is that the financial statements of the Company for the year ended December 31, 2022 have not been audited by CPA at the announcement moment, thus the Company announced the information based on the financial statement for the nine months ended September 30, 2022.

TABLE 3

MECHEMA CHEMICALS INTERNATIONAL CORP.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Mutual funds</u> Powerfund - Class A	-	FVTPL - current	350,333	<u>\$ 43,068</u>	-	<u>\$ 43,068</u>	

TABLE 4

MECHEMA CHEMICALS INTERNATIONAL CORP.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Mechema Toda Corporation	Affiliates using the equity method	Sale	\$ (2,488,963)	(49)	90 days	\$ -	90 days	\$ 258,380	39	
	Mechema Chemicals (Thailand) Co., Ltd.	Subsidiary	Sale	(579,154)	(11)	240 days	-	240 days	195,646	29	
Mechema Chemicals (Thailand) Co., Ltd.	The Company	Parent	Purchase	579,154	95	240 days	-	240 days	(195,646)	(99)	
The Company	Mechema Korea Co., Ltd.	Subsidiary	Sale	(483,803)	(9)	240 days	-	240 days	31,850	5	
Mechema Korea Co., Ltd.	The Company	Parent	Purchase	483,803	97	240 days	-	240 days	(31,850)	(98)	
	The Company	Parent	Sale	(201,873)	(38)	240 days	-	240 days	-	-	
The Company	Mechema Korea Co., Ltd.	Subsidiary	Purchase	201,873	4	240 days	-	240 days	-	-	
Mechema Chemicals (Thailand) Co., Ltd.	PT Mechema Indonesia	Fellow subsidiary	Sale	(212,921)	(35)	240 days	-	240 days	75,293	35	
PT Mechema Indonesia	Mechema Chemicals (Thailand) Co., Ltd.	Fellow subsidiary	Purchase	212,921	93	240 days	-	240 days	(75,293)	(96)	
Mechema Chemicals (Thailand) Co., Ltd.	Mechema Chemical (Shang Yu) Co., Ltd.	Fellow subsidiary	Sale	(183,730)	(30)	240 days	-	240 days	108,542	51	
Mechema Chemical (Shang Yu) Co., Ltd.	Mechema Chemicals (Thailand) Co., Ltd.	Fellow subsidiary	Purchase	183,730	39	240 days	-	240 days	(108,542)	(96)	

TABLE 5

MECHEMA CHEMICALS INTERNATIONAL CORP.

**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)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Mechema Chemicals (Thailand) Co., Ltd.	Subsidiary	\$ 195,646	4.20	\$ -	-	\$ 94,976	\$ -
	Mechema Toda Corporation	Affiliates using the equity method	258,380	8.86	-	-	258,380	-
Mechema Chemicals (Thailand) Co., Ltd.	Mechema Chemical (Shang Yu) Co., Ltd.	Fellow subsidiary	108,542	2.57	-	-	58,724	-

TABLE 6

MECHEMA CHEMICALS INTERNATIONAL CORP.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
The Company	Mechema Chemicals (Thailand) Co., Ltd.	Thailand	Manufacturing of oxidation catalysts	\$ 64,675	\$ 64,675	310,000	100.00	\$ 117,769	\$ (425)	\$ (425)	
	PT Mechema Indonesia	Indonesia	Manufacturing of oxidation catalysts	121,870	121,870	4,000	100.00	130,621	5,931	5,931	
	Mechema Korea Co., Ltd.	South Korea	Manufacturing of oxidation catalysts	125,529	125,529	876,404	100.00	144,869	(9,988)	(9,988)	
	Mechema Chemical (Malaysia) Co., Ltd.	Malaysia	Manufacturing of oxidation catalysts	49,042	49,042	5,000,000	100.00	(1,295)	(923)	(666)	
	Mechema Toda Corporation	Taiwan	Manufacturing of battery cathode materials	150,100	150,100	15,010,000	50.00	112,074	(17,344)	(8,672)	
	Catalyst Development Co., Ltd.	British Virgin Islands	Investment holding	270,419	270,419	8,100,000	100.00	477,485	10,445	10,445	

Note: Refer to Table 7 for the information on investments in mainland China.

TABLE 7

MECHEMA CHEMICALS INTERNATIONAL CORP.

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

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Investee Company's Current Net Income	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
Mechema Chemical (Xiamen) Co., Ltd.	Real estate business	\$ 113,751	Investee Companies in mainland China through a third party	US\$2,100 thousand (equivalent to NT\$72,847 thousand)	\$ -	\$ -	US\$2,100 thousand (equivalent to NT\$72,847 thousand)	\$ 3,867	100.00	\$ 3,867	\$ 59,000	\$ -
Mechema Chemical (Shang Yu) Co., Ltd.	Manufacturing of oxidation catalyst	197,572	Investee Companies in mainland China through a third party	US\$6,000 thousand (equivalent to NT\$197,572 thousand)	-	-	US\$6,000 thousand (equivalent to NT\$197,572 thousand)	6,549	100.00	6,549	404,721	-

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

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

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$8,100 thousand (Equivalent to NT\$270,419 thousand)	US\$8,100 thousand	\$900,726 thousand (\$1,501,210 thousand × 60%)

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

Investee Companies	Relationship	Transaction Type	Amount	Transaction Details			Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
				Price	Payment Terms	Compared with Terms of Third Parties	Balance	%	
Mechema Chemical (Shang Yu) Co., Ltd.	Subsidiary	Sale	\$ -	Negotiable	Net of 240 days from the end of the month in which the invoice is issued	No comparable unrelated parties due to payment terms offered to related parties were similar to those offered to third parties.	\$ 3,071	0.5	\$ -

TABLE 8**MECHEMA CHEMICALS INTERNATIONAL CORP.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

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

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	Note 6
Statement of financial assets at fair value through profit or loss - current	Note 7
Statement of trade receivables	Statement 1
Statement of trade receivables from related parties	Statement 2
Statement of inventories	Statement 3
Statement of changes in investments accounted for using the equity method	Statement 4
Statement of changes in properties, plants, and equipment	Note 11
Statement of changes in accumulated depreciation of properties, plants, and equipment	Note 11
Statement of deferred tax assets	Note 18
Statement of short-term borrowings	Statement 5
Statement of notes and trade payables	Statement 6
Statement of short-term bills payable	Note 14
Statement of other payables	Statement 7
Statement of deferred tax liabilities	Note 18
Major Accounting Items in Profit or Loss	
Statement of operating revenue	Note 17
Statement of cost of goods sold	Statement 8
Statement of operating expenses	Statement 9
Statement of employee welfare, depreciation and amortization by function	Statement 10

MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Company A		\$ 49,488
Company B		26,699
Company C		25,000
Company D		24,152
Company E		13,669
Company F		10,121
Company G		8,875
Other (Note)		<u>18,745</u>
		176,749
Less: Allowance for doubtful accounts		<u>(1,944)</u>
		<u>\$ 174,805</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Mechema Toda Corporation	Sales of goods	\$ 258,380
Mechema Chemicals (Thailand) Co., Ltd.	Sales of goods	195,646
Mechema Korea Co., Ltd.	Sales of goods	31,850
Mechema Chemical (Shang Yu) Co., Ltd.	Sales of goods	3,071
PT Mechema Indonesia	Sales of goods	<u>1,887</u>
		<u>\$ 490,834</u>

MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Cost	Net Realized Value(Note)
Finished goods	\$ 43,200	\$ 37,320
Work in process	84,819	73,276
Raw materials	<u>220,000</u>	<u>190,061</u>
	<u>\$ 348,019</u>	<u>\$ 300,657</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

							Equity in	Adjustments of Deferred credits	Ending Balance			Basis of the evaluation	Pledge or Security
	Beginning Balance		Increase in the current year		Decrease in the current year		Investees		% of				
	Shares	Amount	Shares	Amount	Shares	Amount	Gain (Loss)		Shares	Ownership	Amount		
Mechema Chemicals (Thailand) Co., Ltd. (Note)	310,000	\$ 105,560	-	\$ 8,112	-	\$ -	\$ (425)	\$ 4,522	310,000		\$ 117,769	Equity method	None
PT Mechema Indonesia (Note)	4,000	123,495	-	-	-	(89)	5,931	1,284	4,000		130,621	Equity method	None
Mechema Korea Co., Ltd. (Note)	876,404	140,997	-	6,167	-	-	(9,988)	7,693	876,404		144,869	Equity method	None
Mechema Chemical (Malaysia) Co., Ltd. (Note)	5,000,000	(604)	-	-	-	(25)	(666)	-	5,000,000		(1,295)	Equity method	None
Catalyst Development Co., Ltd. (Note)	8,100,000	459,135	-	7,905	-	-	10,445	-	8,100,000		477,485	Equity method	None
Mechema Toda Corporation (Note)	15,010,000	<u>127,060</u>	-	<u>-</u>	-	<u>-</u>	<u>(8,672)</u>	<u>(6,314)</u>	15,010,000		<u>112,074</u>	Equity method	None
		<u>\$ 955,643</u>		<u>\$ 22,184</u>		<u>\$ (114)</u>	<u>\$ (3,375)</u>	<u>\$ 7,185</u>			<u>\$ 981,523</u>		

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Creditors	Explanation	Amount	Contract Period	Interest Rate (%)	Loan Commitments	Collateral
Bank A	Unsecured loans (NTD)	\$ 185,000	Repayable in full upon maturity	1.58	NT\$200,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank B	Unsecured loans (NTD)	150,000	Repayable in full upon maturity	1.40-1.80	NT\$331,710 thousand	Jointly guaranteed by chairman of the board of the Company
Bank C	Unsecured loans (NTD)	120,000	Repayable in full upon maturity	1.68	NT\$220,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank D	Unsecured loans (USD)	107,485	Repayable in full upon maturity	5.30	NT\$165,855 thousand	Jointly guaranteed by chairman of the board of the Company
Bank E	Unsecured loans (NTD)	99,000	Repayable in full upon maturity	1.53	NT\$150,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank F	Unsecured loans (USD)	85,988	Repayable in full upon maturity	5.56-5.67	NT\$200,000 thousand	Jointly guaranteed by chairman of the board of the Company
Bank G	Unsecured loans (NTD)	<u>42,000</u>	Repayable in full upon maturity	1.77	NT\$247,338 thousand	Jointly guaranteed by chairman of the board of the Company
		<u>\$ 789,473</u>				

MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF NOTES AND TRADE PAYABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Company H		\$ 18,148
Company I		4,748
Company J		2,089
Other (Note)		<u>7,511</u>
		<u>\$ 32,496</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.**STATEMENT OF OTHER PAYABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Accrued salaries and wages		\$ 24,219
Accrued import expense		1,399
Accrued commission		2,684
Accrued others		<u>4,743</u>
		<u>\$ 33,045</u>

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

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of sales of goods manufactured by the Company	
Beginning balance of raw materials	\$ 106,175
Add: Purchase of raw materials	4,324,231
Less: Ending balance of raw materials	(214,619)
Raw materials sold	<u>(3,182,533)</u>
Raw materials used in production	<u>1,033,254</u>
Beginning balance of supplies	3,199
Add: Purchase of supplies	35,561
Less: Ending balance of supplies	(5,381)
Supplies sold	<u>(6,817)</u>
Supplies used in production	<u>26,562</u>
Direct labor	13,936
Manufacturing expenses	<u>48,775</u>
Manufacturing costs	1,122,527
Add: Beginning balance of work in process	69,854
Add: Purchase of semi-finished goods	42,251
Less: Ending balance of work in process	(84,819)
Work in process sold	(50,136)
Others	<u>(16)</u>
Finished goods costs	1,099,661
Add: Beginning balance of finished goods	124,152
Add: Purchases of finished goods	227,484
Less: Ending balance of finished goods	(43,200)
Less: Others	(3,798)
Inventory write-downs	45,699
Costs of supplies sold	6,817
Costs of raw materials sold	3,182,533
Costs of semi-finished goods sold	<u>50,136</u>
Total	<u>4,689,484</u>
Costs of merchandise sold	
Add: Beginning balance of merchandise	601
Add: Purchases of merchandise	1,092
Add: Others	581
Less: Ending balance of merchandise	<u>(529)</u>
Total	<u>1,745</u>
Cost of goods sold	<u>\$ 4,691,229</u>

MECHEMA CHEMICALS INTERNATIONAL CORP.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salaries and wages	\$ 5,995	\$ 24,534	\$ 7,565	\$ 38,094
Export expenses	18,838	-	-	18,838
Professional service fees	-	3,697	-	3,697
Depreciation expenses	147	2,064	1,313	3,524
Employees' insurance	475	1,560	532	2,567
Transportation expenses	3,044	175	100	3,319
Entertainment expenses	284	510	1	795
Commission expenses	4,605	-	-	4,605
Employee benefits	375	755	375	1,505
Retirement pension	237	512	262	1,011
Utility bills	157	186	156	499
Tax expenses	233	314	233	780
Travel expenses	32	40	-	72
Others	<u>2,266</u>	<u>5,930</u>	<u>3,913</u>	<u>12,109</u>
	<u>\$ 36,688</u>	<u>\$ 40,277</u>	<u>\$ 14,450</u>	<u>\$ 91,415</u>

MECHEMA CHEMICALS INTERNATIONAL CORP.

STATEMENT OF EMPLOYEE WELFARE, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (In Thousands of New Taiwan Dollars)

Item	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries	\$ 23,528	\$ 34,894	\$ 58,422	\$ 21,009	\$ 31,623	\$ 52,632
Employees' insurance	1,887	2,476	4,363	1,739	2,187	3,926
Pension fund	719	1,011	1,730	698	968	1,666
Director's remuneration	-	3,200	3,200	-	3,200	3,200
Other employee benefits	<u>2,011</u>	<u>2,154</u>	<u>4,165</u>	<u>1,832</u>	<u>1,709</u>	<u>3,541</u>
	<u>\$ 28,145</u>	<u>\$ 43,735</u>	<u>\$ 71,880</u>	<u>\$ 25,278</u>	<u>\$ 39,687</u>	<u>\$ 64,965</u>
Depreciation expenses	<u>\$ 9,881</u>	<u>\$ 3,524</u>	<u>\$ 13,405</u>	<u>\$ 7,460</u>	<u>\$ 4,214</u>	<u>\$ 11,674</u>
Amortization expenses	<u>\$ 2,371</u>	<u>\$ 415</u>	<u>\$ 2,786</u>	<u>\$ 1,173</u>	<u>\$ 367</u>	<u>\$ 1,540</u>

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

Note 2: Average employee benefits for the years ended December 31, 2022 and 2021 were \$1,249 thousand and \$1,123 thousand, respectively.

Note 3: Average salary for the years ended December 31, 2022 and 2021 were \$1,062 thousand and \$957 thousand, respectively.

Note 4: The average salary increased by 11% year over year.

Note 5: The Company didn't have the supervisors for the year ended December 31, 2022. Therefore, the Company did not have the corresponding remuneration of supervisors. The compensation to the supervisor for the year ended December 31, 2021 was \$360 thousand.

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

Mechema International Group Co.,. Ltd.

Chairman: Yim Long-Chai

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