

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**EVERLIGHT CHEMICAL INDUSTRIAL
CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Everlight Chemical Industrial Corporation and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$242,678 thousand and \$270,525 thousand, constituting 1.84% and 1.95% of consolidated total assets as of June 30, 2023 and 2022, respectively, total liabilities amounting to \$29,584 thousand and \$34,043 thousand, constituting 0.67% and 0.65% of consolidated total liabilities as of June 30, 2023 and 2022, respectively, and total comprehensive income (loss) amounting to \$(4,538) thousand, \$2,680 thousand, \$(9,631) thousand and \$4,523 thousand, constituting 18.06%, (1.20)%, (6.80)% and (2.09)% of consolidated total comprehensive income for the three months and six months ended June 30, 2023 and 2022, respectively.

Furthermore, as stated in note 6(e), the other equity accounted investments of Everlight Chemical Industrial Corporation and its subsidiaries in its investee companies of \$136,886 thousand and \$132,591 thousand as of June 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$(272) thousand, \$5,093 thousand, \$(2,526) thousand and \$6,676 thousand for the three months and six months ended June 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Everlight Chemical Industrial Corporation and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors' report are Ming-Hung Huang and Chia-Chien Tang.

KPMG

Taipei, Taiwan (Republic of China)
August 10, 2023

Notes to Readers

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

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023, December 31 and June 30, 2022

(Expressed in Thousands New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets :								Current liabilities							
1100	Cash and cash equivalents (note 6(a))	\$ 1,155,904	9	1,215,150	9	1,366,391	10	2100	Short-term borrowings (note 6(k))	\$ 1,797,536	14	1,665,417	13	2,088,665	15
1110	Financial assets at fair value through profit or loss-current (note 6(b))	97,070	1	4,020	-	100,197	1	2322	Long-term borrowings, current portion (note 6(l))	42,500	-	12,500	-	200,000	2
1136	Financial assets at amortized cost-current (note 6(b))	60,000	-	-	-	61,014	-	2151	Notes payable (note 7)	29,648	-	89,065	1	235,022	2
1150	Notes receivable, net (notes 6(c) and (t))	179,143	1	188,005	2	213,008	2	2170	Accounts payable (note 7)	402,777	3	341,564	3	412,589	3
1170	Accounts receivable, net (notes 6(c) and (t))	1,334,173	10	1,346,800	10	1,663,725	12	2209	Other payable (note 6(s))	325,239	3	502,833	4	440,825	3
130X	Inventories (notes 6(d) and 10)	3,881,788	30	3,970,872	30	3,857,275	28	2213	Payable on equipment	16,906	-	36,334	-	16,789	-
1476	Other current financial assets (note 10)	26,309	-	64,518	-	72,084	-	2216	Dividends payable (notes 6(q) and 7)	191,713	2	-	-	273,876	2
1479	Other current assets (note 6(h))	118,975	1	114,841	1	110,708	1	2230	Current tax liabilities	50,989	-	41,077	-	89,102	1
	Total current assets	<u>6,853,362</u>	<u>52</u>	<u>6,904,206</u>	<u>52</u>	<u>7,444,402</u>	<u>54</u>	2280	Lease liabilities-current (note 6(m))	32,843	-	35,421	-	32,598	-
	Non-current assets:							2399	Other current liabilities (note 6(n))	55,929	-	45,038	-	69,045	-
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (v))	1,063,420	8	956,411	7	993,857	7		Total current liabilities	<u>2,946,080</u>	<u>22</u>	<u>2,769,249</u>	<u>21</u>	<u>3,858,511</u>	<u>28</u>
1550	Investments accounted for using equity method (note 6(e))	136,886	1	133,663	1	132,591	1		Non-current liabilities :						
1600	Property, plant and equipment (notes 6(g), 9 and 10)	4,501,691	34	4,541,097	35	4,705,633	34	2540	Long-term borrowings (note 6(l))	1,027,500	8	1,087,500	8	830,000	6
1755	Right-of-use assets (note 6(i))	265,309	2	279,846	2	286,952	2	2570	Deferred tax liabilities	95,327	1	95,327	1	86,879	1
1780	Intangible assets (note 6(j))	143,202	1	151,334	2	109,390	1	2580	Lease liabilities non-current (note 6(m))	223,334	2	233,814	2	241,832	2
1840	Deferred tax assets	59,464	1	59,464	-	109,394	1	2640	Net defined benefit liability	67,599	-	75,952	1	179,482	1
1915	Prepayments for equipment	127,075	1	89,671	1	54,886	-	2670	Other non-current liabilities (note 6(n))	82,064	1	63,964	-	63,964	-
1980	Other non-current financial assets (notes 6(c) and (t))	3,282	-	3,387	-	3,604	-		Total non-current liabilities	<u>1,495,824</u>	<u>12</u>	<u>1,556,557</u>	<u>12</u>	<u>1,402,157</u>	<u>10</u>
1990	Other non-current assets	12,608	-	13,424	-	35,495	-		Total liabilities	<u>4,441,904</u>	<u>34</u>	<u>4,325,806</u>	<u>33</u>	<u>5,260,668</u>	<u>38</u>
	Total non-current assets	<u>6,312,937</u>	<u>48</u>	<u>6,228,297</u>	<u>48</u>	<u>6,431,802</u>	<u>46</u>		Equity attributable to owners of parent (notes 6(e), (f) and (q)) :						
	Total assets	<u>\$ 13,166,299</u>	<u>100</u>	<u>13,132,503</u>	<u>100</u>	<u>13,876,204</u>	<u>100</u>	3100	Common shares	5,477,522	42	5,477,522	42	5,477,522	40
								3200	Capital surplus	474,558	4	474,558	3	474,558	3
								3300	Retained earnings	2,288,634	17	2,432,588	19	2,222,344	16
								3400	Other equity	155,001	1	70,404	1	118,895	1
									Total equity attributable to owners of parent	<u>8,395,715</u>	<u>64</u>	<u>8,455,072</u>	<u>65</u>	<u>8,293,319</u>	<u>60</u>
								36XX	Non-controlling interests (note 6(f))	328,680	2	351,625	2	322,217	2
									Total equity	<u>8,724,395</u>	<u>66</u>	<u>8,806,697</u>	<u>67</u>	<u>8,615,536</u>	<u>62</u>
									Total liabilities and equity	<u>\$ 13,166,299</u>	<u>100</u>	<u>13,132,503</u>	<u>100</u>	<u>13,876,204</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share)

	For the three months ended June 30				For the six months ended June 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(t))	\$ 1,906,046	100	2,323,801	100	3,848,076	100	4,736,034	100
5000	Operating costs (notes 6(d), (g), (i), (m), (o), (s), 7 and 12)	1,524,634	80	1,795,260	77	3,067,011	80	3,658,674	77
5950	Gross profit from operations	381,412	20	528,541	23	781,065	20	1,077,360	23
6000	Operating expenses (notes 6(c), (g), (i), (m), (o), (s), 7 and 12):								
6100	Selling expenses	195,189	10	244,782	10	375,983	10	495,504	10
6200	Administrative expenses	96,427	5	89,116	4	187,728	5	170,156	4
6300	Research and development expenses	89,793	5	92,203	4	168,964	4	177,937	4
6450	Expected credit loss (gain)	1,162	-	(2,922)	-	(3,968)	-	(4,214)	-
	Total operating expenses	382,571	20	423,179	18	728,707	19	839,383	18
6900	Net operating income (loss)	(1,159)	-	105,362	5	52,358	1	237,977	5
7000	Non-operating income and expenses (notes 6(e), (g), (m), (u) and 10) :								
7100	Interest income	4,468	-	1,295	-	5,092	-	1,880	-
7010	Other income	12,000	1	38,458	1	12,000	-	38,458	1
7020	Other gains and losses	26,272	1	18,400	1	44,728	1	46,744	1
7050	Finance costs	(23,978)	(1)	(15,341)	(1)	(45,562)	(1)	(27,138)	(1)
7060	Share of gains of associates accounted for using equity method	(272)	-	5,093	-	(2,526)	-	6,676	-
	Total non-operating income and expense	18,490	1	47,905	1	13,732	-	66,620	1
7900	Income before income tax	17,331	1	153,267	6	66,090	1	304,597	6
7951	Income tax expenses (note 6(p))	4,625	-	27,797	1	13,469	-	54,254	1
8200	Net income	12,706	1	125,470	5	52,621	1	250,343	5
8300	Other comprehensive income (notes 6(e), (q) and (v)) :								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized gains from financial assets measured at fair value through other comprehensive income	(17,292)	(1)	(346,795)	(15)	107,863	3	(514,908)	(11)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	(17,292)	(1)	(346,795)	(15)	107,863	3	(514,908)	(11)
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(17,597)	(1)	(273)	-	(15,743)	-	48,691	1
8370	Share of other comprehensive income of associates accounted for using equity method	(2,943)	-	(1,582)	-	(3,202)	-	(988)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	(20,540)	(1)	(1,855)	-	(18,945)	-	47,703	1
8300	Other comprehensive income (after tax)	(37,832)	(2)	(348,650)	(15)	88,918	3	(467,205)	(10)
8500	Total comprehensive income	\$ (25,126)	(1)	(223,180)	(10)	141,539	4	(216,862)	(5)
	Profit attributable to:								
8610	Owners of parent	\$ 10,371	1	117,263	5	47,554	1	237,212	5
8620	Non-controlling interests	2,335	-	8,207	-	5,067	-	13,131	-
		\$ 12,706	1	125,470	5	52,621	1	250,343	5
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (29,106)	(1)	(236,069)	(10)	132,356	4	(238,945)	(5)
8720	Non-controlling interests	3,980	-	12,889	-	9,183	-	22,083	-
		\$ (25,126)	(1)	(223,180)	(10)	141,539	4	(216,862)	(5)
9750	Basic earnings per share (note 6(r)) (expressed in New Taiwan dollars)	\$ 0.02		0.21		0.09		0.43	
9850	Diluted earnings per share (note 6(r)) (expressed in New Taiwan dollars)	\$ 0.02		0.21		0.09		0.43	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Retained earnings					Other equity						
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent		
Balance on January 1, 2022	\$ 5,477,522	474,558	1,104,566	30,438	1,113,761	2,248,765	(130,318)	735,613	605,295	8,806,140	300,134	9,106,274
Net income	-	-	-	-	237,212	237,212	-	-	-	237,212	13,131	250,343
Other comprehensive income	-	-	-	-	-	-	39,695	(515,852)	(476,157)	(476,157)	8,952	(467,205)
Total comprehensive income	-	-	-	-	237,212	237,212	39,695	(515,852)	(476,157)	(238,945)	22,083	(216,862)
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	39,381	-	(39,381)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	(273,876)	-	(273,876)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,243	10,243	-	(10,243)	(10,243)	-	-	-
Balance on June 30, 2022	\$ 5,477,522	474,558	1,143,947	30,438	1,047,959	2,222,344	(90,623)	209,518	118,895	8,293,319	322,217	8,615,536
Balance on January 1, 2023	\$ 5,477,522	474,558	1,143,947	30,438	1,258,203	2,432,588	(76,987)	147,391	70,404	8,455,072	351,625	8,806,697
Net income	-	-	-	-	47,554	47,554	-	-	-	47,554	5,067	52,621
Other comprehensive income	-	-	-	-	-	-	(20,254)	105,056	84,802	84,802	4,116	88,918
Total comprehensive income	-	-	-	-	47,554	47,554	(20,254)	105,056	84,802	132,356	9,183	141,539
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	45,770	-	(45,770)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(191,713)	(191,713)	-	-	-	(191,713)	-	(191,713)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(32,128)	(32,128)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	205	205	-	(205)	(205)	-	-	-
Balance on June 30, 2023	\$ 5,477,522	474,558	1,189,717	30,438	1,068,479	2,288,634	(97,241)	252,242	155,001	8,395,715	328,680	8,724,395

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 66,090	304,597
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	299,491	323,997
Amortization expense	26,293	18,140
Expected credit gain	(3,968)	(4,214)
Net gains on financial assets at fair value through profit	(300)	(5,949)
Interest expense	45,562	27,138
Interest income	(5,092)	(1,880)
Dividend income	(12,000)	(38,458)
Share (losses) of gains of associates accounted for using equity method	2,526	(6,676)
Losses (gains) on disposal of property, plant and equipment	(700)	2,670
Losses on disposal of investment accounted for using equity method	4,834	-
Losses (gains) due to disaster	(6,352)	31,345
Other	449	(12)
Total adjustments to reconcile profit	<u>350,743</u>	<u>346,101</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(259)	6,102
Accounts receivable and overdue receivable (under other non-current financial assets)	(5,612)	3,163
Inventories	90,892	(305,380)
Other current financial assets	31,886	(6,732)
Other current assets	(4,997)	16,179
Total changes in operating assets	<u>111,910</u>	<u>(286,668)</u>
Changes in operating liabilities:		
Notes payable	(59,369)	(3,887)
Accounts payable	61,315	83,813
Other payable	(169,317)	(94,158)
Other current liabilities	(4,980)	16,253
Net defined benefit liability	(8,354)	(37,968)
Other non-current liabilities	34,000	(2,374)
Total changes in operating liabilities	<u>(146,705)</u>	<u>(38,321)</u>
Total changes in operating assets and liabilities	<u>(34,795)</u>	<u>(324,989)</u>
Total adjustments	<u>315,948</u>	<u>21,112</u>
Cash inflow generated from operations	382,038	325,709
Interest received	5,041	1,781
Dividends received	12,000	35,598
Income taxes paid	(3,528)	(97,694)
Net cash flows from operating activities	<u>395,551</u>	<u>265,394</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(90,000)	(60,000)
Proceeds from disposal of financial assets at amortized cost	30,000	2,488
Acquisition of financial assets at fair value through profit or loss	(92,750)	(46,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	12,000
Acquisition of financial assets at fair value through other comprehensive income	-	(10,069)
Proceeds from disposal of financial assets at fair value through other comprehensive income	853	31,169
Increase in prepayments for investments	-	(25,320)
Acquisition of property, plant and equipment	(191,993)	(117,541)
Proceeds from disposal of property, plant and equipment	1,193	980
Acquisition of intangible assets	(28,899)	(11,708)
Proceeds from disposal of intangible assets	11,037	-
Decrease (increase) in other non-current financial assets	113	(44)
Decrease in other non-current assets	504	1,882
Increase in prepayments for equipment	(107,256)	(102,804)
Net cash outflows from losing control of subsidiary	(31,947)	-
Net cash used in investing activities	<u>(499,145)</u>	<u>(324,967)</u>
Cash flows used in financing activities:		
Increase in short-term borrowings	2,838,061	2,771,948
Decrease in short-term borrowings	(2,695,442)	(2,746,877)
Proceeds from long-term borrowings	1,470,000	30,000
Repayments of long-term borrowings	(1,500,000)	-
Payments of lease liabilities	(17,395)	(16,839)
Interest paid	(44,631)	(26,462)
Subsidiaries distributed cash dividends to non-controlling interests	(7,258)	(7,181)
Net cash flows from financing activities	<u>43,335</u>	<u>4,589</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,013</u>	<u>(28,378)</u>
Net decrease in cash and cash equivalents	<u>(59,246)</u>	<u>(83,362)</u>
Cash and cash equivalents at beginning of period	<u>1,215,150</u>	<u>1,449,753</u>
Cash and cash equivalents at end of period	<u>\$ 1,155,904</u>	<u>1,366,391</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Everlight Chemical Industrial Corporation (the “Company”) was incorporated on September 7, 1972 as a Company limited by shares and registered in accordance with the ROC Company Act. Everlight Chemical Industrial Corporation and subsidiaries (“the Group”) engage in manufacturing and selling of dye, UV absorber, specialty chemicals, toners, electronic chemicals, pharmaceutical product and material, chemical intermediary photo resistance, and etc.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the board of directors on August 10, 2023.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments¹, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2022. For the detail information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of consolidation

(i) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company (ECIC)	EVERLIGHT USA, INC. (EVUS)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
ECIC	EVERLIGHT (HONG KONG) LIMITED (EVHK)	Selling chemical product and related raw materials	100.00	100.00	100.00	(note 1)
ECIC	EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Investing business	100.00	100.00	100.00	(note 1)
ECIC	EVERLIGHT EUROPE B.V. (EVEU)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
ECIC	TREND TONE IMAGING, INC. (TTI)	Manufacturing and selling toners of laser printer, copier and fax machine	76.15	76.15	76.15	-
ECIC	ELITE FOREIGN TRADING INCORPORATION (ELITE)	Selling chemical product and related raw materials	50.00	50.00	50.00	(note 2)

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
ECIC	DAILYCARE BIOMEDICAL INC. (DCBM)	Manufacturing of medical supplies and providing service of biological technology	-	-	91.26	(note 3)
EVSG	EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ)	Manufacturing and selling color chemicals, toners and electronic high-tech chemical product	100.00	100.00	100.00	-
EVSG	ANDA SEMICONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA)	Selling electronic high-tech chemical product	29.80	29.80	56.25	(note 4) 、 (note 6)
EVSG	SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Selling chemical product and related raw materials	56.25	56.25	-	(note 1) 、 (note 4)
EVSG	EVERLIGHT CHEMICALS (VIETNAM) COMPANY LIMITED(EVVN)	Selling electronic high-tech chemical product	100.00	100.00	-	(note 1) 、 (note 5)
ANDA	SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Selling electronic high-tech chemical product	-	-	100.00	(note 4)
EVSZ	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
EVSZ	GUANZHOU ETHICAL TRADING CO., LTD. (ETGZ)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
EVSZ	SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Selling chemical product and related raw materials	100.00	100.00	100.00	-
ECIC	GREATLIGHT INVESTMENT COPORATION (GLTP)	Investing business	100.00	100.00	100.00	(note 1)

(note 1): The Company is a non-significant subsidiary and its financial statement, have not been reviewed by independent auditor.

(note 2): The Company has the right to appoint more than half of members of board of directors and has control over the board of directors. The subsidiary is deemed to be consolidated.

(note 3): The Company decided to resolve DCBM. As of December 15, 2022, the related procedure has been completed.

(note 4): Due to the reorganizational structure of the Company, ANDA transferred 56.25% shares of ADSH to EVSG based on a resolution decided during the Board meeting held on August 11, 2022, resulting in ANDA to no longer be listed in the Group's consolidated subsidiary beginning January 2023.

(note 5): As of November 18, 2022, the Company issued shares to establish EVVN via EVSG.

(note 6): The shareholding percentage decreased to 29.8% due to the Company did not subscribe the new shares contribution of ANDA on November 1, 2022. After re-elected directors on January 5, 2023, which leads to loss control to ANDA and investments accounted for using equity method.

(iii) List of subsidiaries which are not included in the consolidated financial statement: None.

(c) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Significant accounting estimates and assumptions made by the management may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The Group has considered the economic implications of climate change on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended year ended December 31, 2022. Please refer to note 6 of the consolidated financial statements for the year ended year ended December 31, 2022.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 2,581	1,848	2,897
Cash in bank	1,043,168	1,120,733	1,228,621
Time deposits	110,155	92,569	134,873
Cash and cash equivalents	<u>\$ 1,155,904</u>	<u>1,215,150</u>	<u>1,366,391</u>

Please refer to note 6(v) for the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Monetary market fund	\$ 96,847	4,020	94,359
Option contracts	<u>223</u>	<u>-</u>	<u>5,838</u>
Total	<u>\$ 97,070</u>	<u>4,020</u>	<u>100,197</u>

The Group holds derivative financial instruments to hedge its foreign exchange risk that the Group is exposed to, arising from its operating, financing and investing activities. The following derivative instruments not applied hedge accounting were classified as financial assets mandatorily measured at fair value through profit or loss:

	<u>June 30, 2023</u>		
	<u>Contract amount (in thousand)</u>	<u>Currency</u>	<u>Period</u>
Option contracts	<u>\$ 1,900</u>	EUR	2023/7/28~2023/12/29
	<u>June 30, 2022</u>		
	<u>Contract amount (in thousand)</u>	<u>Currency</u>	<u>Period</u>
Option contracts	<u>\$ 800</u>	EUR	2022/7/29~2022/10/31
Option contracts	<u>\$ 3,000</u>	USD	2022/12/30

For the fair value recognized in profit and loss, please refer to note 6(u). There was no such transaction for the year ended December 31, 2022.

(ii) Financial assets at fair value through other comprehensive income:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Stocks listed on domestic markets	\$ 838,456	716,367	842,427
Domestic unlisted common shares	<u>224,964</u>	<u>240,044</u>	<u>151,430</u>
	<u>\$ 1,063,420</u>	<u>956,411</u>	<u>993,857</u>

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2023 and 2022, the Group has sold the partial of financial assets at fair value through other comprehensive income for strategic purposes. The share sold had a fair value of \$853 thousand and \$31,169 thousand, and the Group realized a gain of \$205 thousand and \$10,243 thousand, which are already included in other comprehensive income. The gains have been transferred to retained earnings.

(iii) Financial assets at amortized cost-current:

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Government bonds	\$ 60,000	-	60,000
Financial assets at amortized cost-current	-	-	1,014
	<u>\$ 60,000</u>	<u>-</u>	<u>61,014</u>

- 1) The Group purchased government bonds with a face value of \$60,000 thousand during June 2023 and 2022. The due date of government bonds were April 26, 2026 and July 12, 2022, and their effective interest rate were 0.81%~0.9% and 0.41%, respectively. There was no such transaction for the year ended December 31, 2022.
- 2) Due to the Group's foreign deposits which applied for the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" has not been engaged in investment yet, therefore, recognized in financial assets at amortized cost-current. As of December 31, 2022, the aforementioned investment has been completed.

(iv) For credit risk and market risk, please refer to note 6(v).

(v) The aforementioned financial assets were not pledged.

(c) Receivables

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Notes receivable	\$ 179,488	189,088	214,025
Accounts receivable	1,358,276	1,374,869	1,694,234
Overdue receivable (under other non-current financial assets)	36,731	37,518	41,199
Less: loss allowance	<u>(61,179)</u>	<u>(66,670)</u>	<u>(72,725)</u>
	<u>\$ 1,513,316</u>	<u>1,534,805</u>	<u>1,876,733</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The loss allowance provisions were determined as follows:

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,425,873	0.01%~0.16%	1,104
1 to 90 days past due	104,351	0.73%~11.13%	17,595
91 to 365 days past due	7,540	12.74%~42.77%	5,749
More than 365 days past due	36,731	100%	36,731
	\$ 1,574,495		61,179

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,416,229	0.01%~0.25%	1,595
1 to 90 days past due	136,211	1.61%~11.35%	20,865
91 to 365 days past due	11,517	13.81%~51.44%	6,692
More than 365 days past due	37,518	100%	37,518
	\$ 1,601,475		66,670

	June 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,768,661	0.01%~0.32%	1,718
1 to 90 days past due	128,423	1.41%~12.02%	24,711
91 to 365 days past due	11,175	16.82%~51.14%	5,097
More than 365 days past due	41,199	100%	41,199
	\$ 1,949,458		72,725

The detail of loss allowance were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 345	1,083	1,017
Accounts receivable	24,103	28,069	30,509
Overdue receivable	36,731	37,518	41,199
	\$ 61,179	66,670	72,725

The movement in the allowance for receivables was as follows:

	For the six months ended June 30	
	2023	2022
Balance on January 1	\$ 66,670	75,815
Impairment losses recognized (reversed)	(3,968)	(4,214)
Amounts written off	(638)	-
Effect on movements in exchange rates	(885)	1,124
Balance on June 30	\$ 61,179	72,725

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The aforementioned financial assets were not pledged.

(d) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 1,049,804	1,088,520	1,132,117
Supplies	20,983	24,429	31,216
Work in progress	736,465	626,665	556,735
Finished goods	2,023,144	2,172,424	1,827,452
Materials in transit	51,392	58,834	309,755
	<u>\$ 3,881,788</u>	<u>3,970,872</u>	<u>3,857,275</u>

Except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Losses on valuation of inventories	\$ 1,902	1,975	2,778	786
Losses on inventory count	1,352	423	1,348	967
Unallocated production overheads	69,598	46,171	155,918	82,534
Losses on obsolescence	-	2,714	764	6,417
Scrap income	(507)	(701)	(860)	(1,082)
	<u>\$ 72,345</u>	<u>50,582</u>	<u>159,948</u>	<u>89,622</u>

The aforementioned inventories were not pledged.

(e) Investments accounted for using equity method

(i) The components of investments accounted for using the equity method at the reporting date were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Associates	<u>\$ 136,886</u>	<u>133,663</u>	<u>132,591</u>

(ii) Associates

Summaries of financial information for by the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group.

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amount of individually insignificant associates	<u>\$ 136,886</u>	<u>133,663</u>	<u>132,591</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Attributable to the Group:				
Profit from continuing operations	\$ (272)	5,093	(2,526)	6,676
Other comprehensive income	(2,943)	(1,582)	(3,202)	(988)
Total comprehensive income	<u>\$ (3,215)</u>	<u>3,511</u>	<u>(5,728)</u>	<u>5,688</u>

(iii) Loss of control over a subsidiary

After ANDA has re-elected its new directors on January 5, 2023, the directors' seats representing the Group in ANDA were reduced from 3 to 2 out of the original 5 seats, resulting in a loss of control of the Group over ANDA. According to the International Financial Reporting Standards, the original shareholdings of the Group were deemed as disposal and reacquisition of equity, and the fair value on the date of loss of control is reclassified from subsidiary to reacquisition cost of the associate.

The Group delisted ANDA's assets, liabilities and related equity components, resulting in a disposal loss of \$4,834 thousand to be recognized as other gains and losses.

The carrying amounts of assets and liabilities of ANDA on January 5, 2023 were as follow:

Cash and cash equivalents	\$ 31,947
Notes and accounts receivable	16,289
Inventories	315
Other current assets	889
Property, plant and equipment	980
Right-of-use assets	3,397
Accounts payable	(846)
Accounts payable-related parties	(7,610)
Other current liabilities	(430)
Lease liabilities	<u>(3,723)</u>
Carrying amounts of net assets	<u>\$ 41,208</u>

(iv) Pledge

As of June 30, 2023, December 31 and June 30, 2022, the aforementioned investment accounted for using equity method were not pledged.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Material non-controlling interest of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>		
		<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
TTI	Taiwan	23.85 %	23.85 %	23.85 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current assets	\$ 765,502	706,102	661,319
Non-current assets	819,923	818,481	817,034
Current liabilities	(417,646)	(413,160)	(470,869)
Non-current liabilities	(305,658)	(268,912)	(212,894)
Net assets	<u>\$ 862,121</u>	<u>842,511</u>	<u>794,590</u>
Non-controlling interest	<u>\$ 205,583</u>	<u>200,906</u>	<u>189,479</u>

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating revenues	<u>\$ 222,134</u>	<u>275,237</u>	<u>461,609</u>	<u>509,199</u>
Net income	9,799	20,282	25,530	31,299
Other comprehensive income	(2,461)	3,424	11,770	3,959
Total comprehensive income	<u>\$ 7,338</u>	<u>23,706</u>	<u>37,300</u>	<u>35,258</u>
Profit attributable to non-controlling interests	<u>\$ 2,337</u>	<u>4,838</u>	<u>6,088</u>	<u>7,465</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 1,750</u>	<u>5,654</u>	<u>8,895</u>	<u>8,409</u>
	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net cash flows from (used in) operating activities	\$ 5,031	25,863	(65,935)	93,158
Net cash used in investing activities	(12,132)	(867)	(18,792)	(2,025)
Net cash flows from (used in) financing activities	7,608	24,472	73,309	(69,308)
Net increase (decrease) in cash and cash equivalents	<u>\$ 507</u>	<u>49,468</u>	<u>(11,418)</u>	<u>21,825</u>
Cash dividend distributed to non-controlling interests	<u>\$ 4,218</u>	<u>-</u>	<u>4,218</u>	<u>-</u>

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The detail of movement of the property, plant and equipment for the Group were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost:						
Balance on January 1, 2023	\$ 894,152	159,000	4,494,950	9,854,921	126,296	15,529,319
Additions	-	34,000	6,491	57,654	74,420	172,565
Disposals	-	-	(110)	(41,766)	-	(41,876)
Reclassification (note)	-	-	12,309	85,798	(19,319)	78,788
Effects on loss of control of subsidiaries	-	-	-	(4,382)	-	(4,382)
Effect on movements in exchange rates	53	-	(8,869)	(21,272)	(324)	(30,412)
Balance on June 30, 2023	<u>\$ 894,205</u>	<u>193,000</u>	<u>4,504,771</u>	<u>9,930,953</u>	<u>181,073</u>	<u>15,704,002</u>
Balance on January 1, 2022	\$ 893,780	159,000	4,460,492	9,972,383	143,367	15,629,022
Additions	-	-	8,159	35,360	47,749	91,268
Disposals	-	-	(5,855)	(383,913)	(1,345)	(391,113)
Reclassification (note)	-	-	7,523	36,241	30,436	74,200
Effect on movements in exchange rates	251	-	8,924	18,486	228	27,889
Balance on June 30, 2022	<u>\$ 894,031</u>	<u>159,000</u>	<u>4,479,243</u>	<u>9,678,557</u>	<u>220,435</u>	<u>15,431,266</u>
Accumulated depreciation and impairment:						
Balance on January 1, 2023	\$ -	20,537	2,887,767	8,079,918	-	10,988,222
Depreciation	-	4,605	79,101	197,538	-	281,244
Disposals	-	-	(66)	(41,317)	-	(41,383)
Effects on loss of control of subsidiaries	-	-	-	(3,402)	-	(3,402)
Effect on movements in exchange rates	-	-	(5,204)	(17,166)	-	(22,370)
Balance on June 30, 2023	<u>\$ -</u>	<u>25,142</u>	<u>2,961,598</u>	<u>8,215,571</u>	<u>-</u>	<u>11,202,311</u>
Balance on January 1, 2022	\$ -	12,588	2,726,137	7,998,867	-	10,737,592
Depreciation	-	3,975	84,292	218,049	-	306,316
Disposals	-	-	(5,795)	(332,323)	-	(338,118)
Effect on movements in exchange rates	-	-	5,064	14,779	-	19,843
Balance on June 30, 2022	<u>\$ -</u>	<u>16,563</u>	<u>2,809,698</u>	<u>7,899,372</u>	<u>-</u>	<u>10,725,633</u>
Carrying amounts:						
Balance on January 1, 2023	<u>\$ 894,152</u>	<u>138,463</u>	<u>1,607,183</u>	<u>1,775,003</u>	<u>126,296</u>	<u>4,541,097</u>
Balance on June 30, 2023	<u>\$ 894,205</u>	<u>167,858</u>	<u>1,543,173</u>	<u>1,715,382</u>	<u>181,073</u>	<u>4,501,691</u>
Balance on January 1, 2022	<u>\$ 893,780</u>	<u>146,412</u>	<u>1,734,355</u>	<u>1,973,516</u>	<u>143,367</u>	<u>4,891,430</u>
Balance on June 30, 2022	<u>\$ 894,031</u>	<u>142,437</u>	<u>1,669,545</u>	<u>1,779,185</u>	<u>220,435</u>	<u>4,705,633</u>

(note): Prepayments for business facilities were reclassified as property, plant and equipment.

- (i) For the six months ended June 30, 2023 and 2022, the Group capitalized the interest expenses on construction in progress amounted to \$4,326 thousand and \$1,200 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.14%~0.28% and 0.08%~0.10%, respectively.
- (ii) As of June 30, 2023, December 31 and June 30, 2022, the property, plant and equipment of the Group had not been pledged.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Other current assets

	June 30, 2023	December 31, 2022	June 30, 2022
Prepayments	\$ 76,639	92,097	62,529
Offset against business tax payable and input taxes	33,410	22,744	36,225
Temporary payments	8,926	-	11,826
Others	-	-	128
	<u>\$ 118,975</u>	<u>114,841</u>	<u>110,708</u>

(i) Right-of-use assets

The information about leases of land, buildings and construction, and equipment for which the Group has been a lessee is presented below:

	Land	Buildings and construction	Equipment	Total
Cost:				
Balance on January 1, 2023	\$ 218,381	162,300	18,513	399,194
Acquisitions	-	7,910	1,913	9,823
Disposals	-	(14,431)	(1,513)	(15,944)
Effects on loss of control of subsidiaries	-	(8,445)	-	(8,445)
Effect on changes in foreign exchange rates	(637)	(2,251)	80	(2,808)
Balance on June 30, 2023	<u>\$ 217,744</u>	<u>145,083</u>	<u>18,993</u>	<u>381,820</u>
Balance on January 1, 2022	\$ 217,239	136,290	15,727	369,256
Acquisitions	815	14,268	3,769	18,852
Disposals	-	(1,891)	(1,595)	(3,486)
Effect on changes in foreign exchange rates	476	1,871	(17)	2,330
Balance on June 30, 2022	<u>\$ 218,530</u>	<u>150,538</u>	<u>17,884</u>	<u>386,952</u>
Accumulated depreciation:				
Balance on January 1, 2023	\$ 22,928	87,542	8,878	119,348
Depreciation	2,875	13,667	1,705	18,247
Disposals	-	(13,147)	(1,514)	(14,661)
Effects on loss of control of subsidiaries	-	(5,048)	-	(5,048)
Effect on changes in foreign exchange rates	(77)	(1,374)	76	(1,375)
Balance on June 30, 2023	<u>\$ 25,726</u>	<u>81,640</u>	<u>9,145</u>	<u>116,511</u>
Balance on January 1, 2022	\$ 17,153	60,000	7,543	84,696
Depreciation	2,876	12,959	1,846	17,681
Disposals	-	(1,645)	(1,595)	(3,240)
Effect on changes in foreign exchange rates	39	840	(16)	863
Balance on June 30, 2022	<u>\$ 20,068</u>	<u>72,154</u>	<u>7,778</u>	<u>100,000</u>

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Total</u>
Carrying amount:				
Balance on January 1, 2023	\$ <u>195,453</u>	<u>74,758</u>	<u>9,635</u>	<u>279,846</u>
Balance on June 30, 2023	\$ <u>192,018</u>	<u>63,443</u>	<u>9,848</u>	<u>265,309</u>
Balance on January 1, 2022	\$ <u>200,086</u>	<u>76,290</u>	<u>8,184</u>	<u>284,560</u>
Balance on June 30, 2022	\$ <u>198,462</u>	<u>78,384</u>	<u>10,106</u>	<u>286,952</u>

(j) Intangible assets

	<u>REACH registration related expenses</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
Carrying amounts:				
Balance on January 1, 2023	\$ <u>89,837</u>	<u>58,275</u>	<u>3,222</u>	<u>151,334</u>
Balance on June 30, 2023	\$ <u>82,770</u>	<u>58,275</u>	<u>2,157</u>	<u>143,202</u>
Balance on January 1, 2022	\$ <u>110,402</u>	-	<u>5,354</u>	<u>115,756</u>
Balance on June 30, 2022	\$ <u>105,132</u>	-	<u>4,258</u>	<u>109,390</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2023 and 2022. Information on amortization for the period is discussed in note 12. Please refer to note 6(j) of consolidated financial statements for the year end December 31, 2022 for the other related information.

(k) Short-term borrowings

	<u>Borrowing currency</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans	NTD	\$ 795,000	465,000	632,800
Unsecured bank loans	RMB	354,705	326,892	326,692
Unsecured bank loans	USD	568,238	793,902	1,049,486
Short-term notes and bills payable	NTD	<u>79,593</u>	<u>79,623</u>	<u>79,687</u>
Total		<u>\$ 1,797,536</u>	<u>1,665,417</u>	<u>2,088,665</u>
Unused credit lines		<u>\$ 4,040,731</u>	<u>3,843,932</u>	<u>3,721,088</u>
Range of interest rate		<u>1.67%~7.14%</u>	<u>1.09%~7.25%</u>	<u>0.67%~4.60%</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group issued short-term notes and bills payable through Dah-Chung Bills Finance Corp. to obtain funds from the currency market.

The Group had not pledged the assets as collateral for short-term borrowings.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(l) Long-term borrowings

June 30, 2023				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.88%~2.48%	2025.1~2027.6	\$ 1,070,000
Less: long-term borrowings, current portion				(42,500)
Total				<u>\$ 1,027,500</u>
Unused credit lines				<u>\$ 380,000</u>
December 31, 2022				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.65%~2.22%	2024.1~2027.6	\$ 1,100,000
Less: long-term borrowings, current portion				(12,500)
Total				<u>\$ 1,087,500</u>
Unused credit lines				<u>\$ 350,000</u>
June 30, 2022				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.15%~1.77%	2023.6~2027.6	\$ 1,030,000
Less: long-term borrowings, current portion				(200,000)
Total				<u>\$ 830,000</u>
Unused credit lines				<u>\$ 420,000</u>

Please refer note 6(u) for the interest expense. For the other related information, please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2022. The Group had not pledged the assets as collateral for long-term bank loans.

(m) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	<u>\$ 32,843</u>	<u>35,421</u>	<u>32,598</u>
Non-current	<u>\$ 223,334</u>	<u>233,814</u>	<u>241,832</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 1,430</u>	<u>1,552</u>	<u>2,881</u>	<u>3,069</u>
Expenses relating to short-term leases	<u>\$ 1,293</u>	<u>1,554</u>	<u>2,356</u>	<u>2,443</u>

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in the statement of cash flows by the Group were as follows:

	For the six months ended June 30	
	2023	2022
Total cash outflow for leases	\$ 22,632	22,351

- (i) Land, buildings and constructions, and equipment lease

The Group leases land, buildings and constructions, and equipment for its warehouses and office space. The leases of warehouses and office typically run for a period from 3 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

- (ii) The Group leases office equipment and vehicles whose lease periods are 1 to 3 years, are recognized as short-term or lower-price lease. The Group elected to apply practical expedients not recognizing relative right-of-use assets and lease liabilities.

- (n) Provisions

The movements of the provisions were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Balance on January 1	\$ 87,450	87,450	87,450
Additions	34,000	-	-
Decreases	(23,850)	-	-
Balance on June 30	\$ 97,600	87,450	87,450

A provision was made in respect of the Group's obligation to rectify environmental damage which was recognized in other current liabilities and other non-current liabilities.

- (o) Employee benefits

- (i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, as well as reimbursement and settlement, or other significant one-time events. As a result, the pension cost in the consolidated interim financial statements was measured and disclosed on a year-to-date basis by using the actuarially determined pension cost rate of December 31, 2022 and 2021.

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating costs	\$ 1,090	1,465	2,410	2,866
Operating expenses	827	1,652	1,822	2,662
	\$ 1,917	3,117	4,232	5,528

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The expense recognized in profit or loss for the Group were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating costs	\$ 12,748	8,432	18,878	17,358
Operating expenses	8,832	6,637	15,129	14,543
	<u>\$ 21,580</u>	<u>15,069</u>	<u>34,007</u>	<u>31,901</u>

(p) Income taxes

(i) The components of income tax were as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax expense	<u>\$ 4,625</u>	<u>27,797</u>	<u>13,469</u>	<u>54,254</u>

(ii) The Company's income tax returns for all years through 2020 were assessed by the tax authorities.

(q) Capital and other equity

There was no significant change for capital and other equity for the periods from January 1 to June 30, 2023 and 2022. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2022.

(i) Retained earnings

In accordance with amendment to Company's article of incorporation, it stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to be appropriated as follows:

- 1) Legal reserve should be at 10%.
- 2) Special reserve should be appropriated (reversed) in accordance with related rules.
- 3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is as follows:

In order for the requirement of future investment and shareholders' interest, the dividend payment is not lower than 50% of net profit or current year deduct legal reserve and the payment of cash dividend should exceed 25% of total dividends.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Distribution of earnings

On March 16, 2023 and March 24, 2022 the Company's board of directors meeting resolved to appropriate the 2022 and 2021 earnings. These earnings were appropriate as follows:

	2022		2021	
	Amount per share (NTD)	Amount	Amount per share (NTD)	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.35	\$ <u>191,713</u>	0.50	<u>273,876</u>

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Non- controlling interest	Total
Balance on January 1, 2023	\$ (76,987)	147,391	15,489	85,893
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	105,056	2,807	107,863
Exchange differences on translation of foreign financial statements	(17,052)	-	1,309	(15,743)
Exchange differences on associates accounted for using equity method	(3,202)	-	-	(3,202)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(205)	-	(205)
Balance on June 30, 2023	\$ <u>(97,241)</u>	<u>252,242</u>	<u>19,605</u>	<u>174,606</u>
Balance on January 1, 2022	\$ (130,318)	735,613	(8,575)	596,720
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(515,852)	944	(514,908)
Exchange differences on translation of foreign financial statements	40,683	-	8,008	48,691
Exchange differences on associates accounted for using equity method	(988)	-	-	(988)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(10,243)	-	(10,243)
Balance on June 30, 2022	\$ <u>(90,623)</u>	<u>209,518</u>	<u>377</u>	<u>119,272</u>

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Earning per share

The Group's earnings per share were calculated as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Basic earning per share				
Profit attributable to common shareholders of the Company	\$ <u>10,371</u>	<u>117,263</u>	<u>47,554</u>	<u>237,212</u>
Weighted-average number of common shares outstanding (thousand share)	<u>547,752</u>	<u>547,752</u>	<u>547,752</u>	<u>547,752</u>
Basic earnings per share (express in New Taiwan Dollar)	\$ <u>0.02</u>	<u>0.21</u>	<u>0.09</u>	<u>0.43</u>
	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Diluted earning per share				
Profit attributable to common shareholders of the Company	\$ <u>10,371</u>	<u>117,263</u>	<u>47,554</u>	<u>237,212</u>
Weighted-average number of common shares outstanding (basic) (thousand share)	\$ 547,752	547,752	547,752	547,752
Effect on employee compensation (thousand share)	<u>53</u>	<u>390</u>	<u>702</u>	<u>1,252</u>
Weighted-average number of common shares outstanding (diluted) (thousand share)	<u>547,805</u>	<u>548,142</u>	<u>548,454</u>	<u>549,004</u>
Diluted earnings per share (express in New Taiwan Dollar)	\$ <u>0.02</u>	<u>0.21</u>	<u>0.09</u>	<u>0.43</u>

(s) Employees compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee compensation and a maximum of 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients may include the employees of the Company's affiliated companies who meet certain conditions.

The estimated amounts of remuneration for the Company's employees and directors were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Employees' Compensation	\$ 1,148	7,490	3,491	14,352
Directors' Remuneration	<u>459</u>	<u>2,996</u>	<u>1,396</u>	<u>5,741</u>
	\$ <u>1,607</u>	<u>10,486</u>	<u>4,887</u>	<u>20,093</u>

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2022 and 2021, the employee compensation amounted to \$24,194 thousand and \$29,722 thousand, and directors' remuneration amounting to \$9,678 thousand and \$11,909 thousand, respectively. There were no any difference between the actual disturbed amount and those recognized in the financial statements. The related information would be available at the Market Observation Post System Website.

(t) Revenue from contract with customers

(i) Disaggregation of revenue

		For the three months ended June 30, 2023					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
Taiwan	\$	76,221	64,538	138,308	6,506	1,495	287,068
America		37,901	90,607	-	71,636	5,839	205,983
Asia		554,144	235,614	126,941	166,449	19,172	1,102,320
Europe		105,457	83,586	-	39,226	27,303	255,572
Other		21,217	25,243	-	8,643	-	55,103
	\$	<u>794,940</u>	<u>499,588</u>	<u>265,249</u>	<u>292,460</u>	<u>53,809</u>	<u>1,906,046</u>
Major products:							
Chemicals	\$	794,940	499,588	265,249	-	-	1,559,777
Toners		-	-	-	292,460	-	292,460
Other		-	-	-	-	53,809	53,809
	\$	<u>794,940</u>	<u>499,588</u>	<u>265,249</u>	<u>292,460</u>	<u>53,809</u>	<u>1,906,046</u>
		For the three months ended June 30, 2022					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
Taiwan	\$	109,279	75,319	223,379	10,260	1,292	419,529
America		62,638	189,157	-	50,650	13,291	315,736
Asia		596,656	190,481	107,873	207,739	8,361	1,111,110
Europe		120,979	185,336	-	73,355	34,828	414,498
Other		32,307	21,692	-	5,061	3,868	62,928
	\$	<u>921,859</u>	<u>661,985</u>	<u>331,252</u>	<u>347,065</u>	<u>61,640</u>	<u>2,323,801</u>
Major products:							
Chemicals	\$	921,859	661,985	331,252	-	-	1,915,096
Toners		-	-	-	347,065	-	347,065
Other		-	-	-	-	61,640	61,640
	\$	<u>921,859</u>	<u>661,985</u>	<u>331,252</u>	<u>347,065</u>	<u>61,640</u>	<u>2,323,801</u>

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For the six months ended June 30, 2023						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:						
Taiwan	\$ 167,098	127,593	304,895	14,171	4,844	618,601
America	79,510	202,754	-	122,092	31,315	435,671
Asia	1,019,085	444,983	228,509	329,349	31,175	2,053,101
Europe	227,585	231,138	-	107,153	58,446	624,322
Other	45,108	50,566	-	15,132	5,575	116,381
	<u>\$ 1,538,386</u>	<u>1,057,034</u>	<u>533,404</u>	<u>587,897</u>	<u>131,355</u>	<u>3,848,076</u>
Major products:						
Chemicals	\$ 1,538,386	1,057,034	533,404	-	-	3,128,824
Toners	-	-	-	587,897	-	587,897
Other	-	-	-	-	131,355	131,355
	<u>\$ 1,538,386</u>	<u>1,057,034</u>	<u>533,404</u>	<u>587,897</u>	<u>131,355</u>	<u>3,848,076</u>
For the six months ended June 30, 2022						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:						
Taiwan	\$ 215,907	164,845	451,169	22,124	5,204	859,249
America	113,686	328,228	-	107,015	22,663	571,592
Asia	1,230,800	500,923	201,763	380,531	13,268	2,327,285
Europe	283,870	368,165	-	132,126	57,633	841,794
Other	45,521	67,720	-	9,482	13,391	136,114
	<u>\$ 1,889,784</u>	<u>1,429,881</u>	<u>652,932</u>	<u>651,278</u>	<u>112,159</u>	<u>4,736,034</u>
Major products:						
Chemicals	\$ 1,889,784	1,429,881	652,932	-	-	3,972,597
Toners	-	-	-	651,278	-	651,278
Other	-	-	-	-	112,159	112,159
	<u>\$ 1,889,784</u>	<u>1,429,881</u>	<u>652,932</u>	<u>651,278</u>	<u>112,159</u>	<u>4,736,034</u>

(ii) Contract balance

	June 30, 2023	December 31, 2022	June 30, 2022
Receivables	\$ 1,574,495	1,601,475	1,949,458
Less: loss allowance	(61,179)	(66,670)	(72,725)
Total	<u>\$ 1,513,316</u>	<u>1,534,805</u>	<u>1,876,733</u>

For the detail on receivables and loss allowance, please refer to note 6(c).

(u) Non-operating income and expenses

(i) Interest income

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 4,468	1,295	5,092	1,880

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(ii) Other income

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Dividend income	\$ <u>12,000</u>	<u>38,458</u>	<u>12,000</u>	<u>38,458</u>

(iii) Other gains and losses

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Foreign exchange gains net	\$ 4,994	3,512	13,013	33,646
Net gains (losses) on financial assets and liabilities at fair value through profit	1,531	482	300	5,949
Gains (losses) on disposal of property, plant and equipment	264	255	700	(2,670)
Losses on disposal of investment accounted for using equity method	-	-	(4,834)	-
Subsidy revenue	4,254	5,063	6,607	8,049
Gains (losses) on disaster	6,352	(1,345)	6,352	(31,345)
Others	8,877	10,433	22,590	33,115
	\$ <u>26,272</u>	<u>18,400</u>	<u>44,728</u>	<u>46,744</u>

(iv) Finance costs

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expense	\$ <u>23,978</u>	<u>15,341</u>	<u>45,562</u>	<u>27,138</u>

(v) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(v) of the consolidated financial statements for the year end December 31, 2022.

(i) Credit risk

1) Credit risk exposure

There was on concentration of credit risk.

2) Receivables securities

For credit risk exposure of receivables, please refer note 6(c).

Other financial assets at amortized cost includes other receivables and refundable deposits. There were no loss allowance provision for the six months ended June 30, 2023 and 2022. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payable and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
June 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,797,536	1,801,021	1,801,021	-	-	-
Notes payable	29,648	29,648	29,648	-	-	-
Accounts payable	402,777	402,777	402,777	-	-	-
Lease liabilities	256,177	319,860	37,838	32,201	43,630	206,191
Other payable	325,239	325,239	325,239	-	-	-
Payable on equipment	16,906	16,906	16,906	-	-	-
Dividends payable	191,713	191,713	191,713	-	-	-
Long-term borrowings (including current portion)	<u>1,070,000</u>	<u>1,119,253</u>	<u>46,325</u>	<u>520,686</u>	<u>552,242</u>	<u>-</u>
	<u>\$ 4,089,996</u>	<u>4,206,417</u>	<u>2,851,467</u>	<u>552,887</u>	<u>595,872</u>	<u>206,191</u>
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,665,417	1,676,635	1,676,635	-	-	-
Notes payable	89,065	89,065	89,065	-	-	-
Accounts payable	341,564	341,564	341,564	-	-	-
Lease liabilities	269,235	335,112	40,744	44,532	39,651	210,185
Other payable	502,833	502,833	502,833	-	-	-
Payable on equipment	36,334	36,334	36,334	-	-	-
Long-term borrowings (including current portion)	<u>1,100,000</u>	<u>1,137,168</u>	<u>15,197</u>	<u>780,068</u>	<u>341,903</u>	<u>-</u>
	<u>\$ 4,004,448</u>	<u>4,118,711</u>	<u>2,702,372</u>	<u>824,600</u>	<u>381,554</u>	<u>210,185</u>
June 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,088,665	2,091,868	2,091,868	-	-	-
Notes payable	235,022	235,022	235,022	-	-	-
Accounts payable	412,589	412,589	412,589	-	-	-
Lease liabilities	274,430	342,894	38,316	45,843	44,253	214,482
Other payable	440,825	440,825	440,825	-	-	-
Payable on equipment	16,789	16,789	16,789	-	-	-
Dividends payable	273,876	273,876	273,876	-	-	-
Long-term borrowings (including current portion)	<u>1,030,000</u>	<u>1,056,157</u>	<u>203,393</u>	<u>628,644</u>	<u>224,120</u>	<u>-</u>
	<u>\$ 4,772,196</u>	<u>4,870,020</u>	<u>3,712,678</u>	<u>674,487</u>	<u>268,373</u>	<u>214,482</u>

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 38,085	31.14	1,185,952	37,186	30.71	1,141,981	53,069	29.72	1,577,207
JPY	121,762	0.22	26,788	157,597	0.23	36,247	126,506	0.22	27,831
RMB	67,861	4.28	290,443	79,190	4.41	349,229	79,935	4.44	354,913
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	30,037	31.14	935,358	29,063	30.71	892,519	54,643	29.74	1,623,982
JPY	129,394	0.22	28,467	222,009	0.23	51,062	154,773	0.22	34,050
RMB	6,344	4.28	27,154	4,060	4.41	17,903	6,496	4.46	28,841

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of the NTD against the USD, JPY and RMB for the six months ended June 30, 2023 and 2022, would have changed the profit by \$4,098 thousand and \$2,185 thousand, respectively. The analysis is performed on the same basis for 2023 and 2022.

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2023 and 2022, foreign exchange losses (including realized and unrealized portions) amounted to \$4,994 thousand, \$3,512 thousand, \$13,013 thousand and \$33,646 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Group's profit would have changed by \$11,470 thousand and \$12,475 thousand, respectively, for the six months ended June 30, 2023 and 2022, with all other variable factors that remain constant. This is mainly due to the Group's borrowing at floating rates.

(v) Other price risk

For the six months ended June 30, 2023 and 2022, the sensitivity analyses for changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at reporting day	For the six months ended June 30, 2023		For the six months ended June 30, 2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
1% increase	\$ 10,634	-	9,939	-
1% decrease	\$ (10,634)	-	(9,939)	-

(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows, however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	June 30, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	\$ 96,847	96,847	-	-	96,847
Derivative financial assets	223	-	223	-	223
Subtotal	97,070	96,847	223	-	97,070

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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		June 30, 2023			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	838,456	838,456	-	-	838,456
Domestic unlisted common shares	224,964	-	-	224,964	224,964
Subtotal	<u>1,063,420</u>	<u>838,456</u>	<u>-</u>	<u>224,964</u>	<u>1,063,420</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,155,904	-	-	-	-
Financial assets at amortized cost	60,000	-	-	-	-
Notes and accounts receivable	1,513,316	-	-	-	-
Other financial assets	29,591	-	-	-	-
Subtotal	<u>2,758,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>3,919,301</u>	<u>935,303</u>	<u>223</u>	<u>224,964</u>	<u>1,160,490</u>
Financial liabilities measured at amortized cost					
Bank loans (including current portion)	\$ 2,867,536	-	-	-	-
Notes and accounts payable	432,425	-	-	-	-
Lease liabilities	256,177	-	-	-	-
Other payable	325,239	-	-	-	-
Payable on equipment	16,906	-	-	-	-
Dividends payable	191,713	-	-	-	-
Total	\$ <u>4,089,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2022			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	\$ 4,020	4,020	-	-	4,020
Subtotal	<u>4,020</u>	<u>4,020</u>	<u>-</u>	<u>-</u>	<u>4,020</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	716,367	716,367	-	-	716,367
Domestic unlisted common shares	240,044	-	-	240,044	240,044
Subtotal	<u>956,411</u>	<u>716,367</u>	<u>-</u>	<u>240,044</u>	<u>956,411</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,215,150	-	-	-	-
Notes and accounts receivable	1,534,805	-	-	-	-
Other financial assets	67,905	-	-	-	-
Subtotal	<u>2,817,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>3,778,291</u>	<u>720,387</u>	<u>-</u>	<u>240,044</u>	<u>960,431</u>

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans (including current portion)	\$ 2,765,417	-	-	-	-
Notes and accounts payable	430,629	-	-	-	-
Lease liabilities	269,235	-	-	-	-
Other payable	502,833	-	-	-	-
Payable on equipment	36,334	-	-	-	-
Total	\$ 4,004,448	-	-	-	-
	June 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	\$ 94,359	94,359	-	-	94,359
Derivative financial assets	5,838	-	5,838	-	5,838
Subtotal	100,197	94,359	5,838	-	100,197
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	842,427	842,427	-	-	842,427
Domestic unlisted common shares	151,430	-	-	151,430	151,430
Subtotal	993,857	842,427	-	151,430	993,857
Financial assets measured at amortized cost					
Cash and cash equivalents	1,366,391	-	-	-	-
Financial assets at amortized cost	61,014	-	-	-	-
Notes and accounts receivable	1,876,733	-	-	-	-
Other financial assets	75,688	-	-	-	-
Subtotal	3,379,826	-	-	-	-
Total	\$ 4,473,880	936,786	5,838	151,430	1,094,054
Financial liabilities measured at amortized cost					
Bank loans	\$ 3,118,665	-	-	-	-
Notes and accounts payable	647,611	-	-	-	-
Lease liabilities	274,430	-	-	-	-
Other payable	440,825	-	-	-	-
Payable on equipment	16,789	-	-	-	-
Dividends payable	273,876	-	-	-	-
Total	\$ 4,772,196	-	-	-	-

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center, is included in the fair value of the listed securities instruments in an active market with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive as follows:

- i) the bid-ask spread is increasing; or
- ii) the bid-ask spread varies significantly; or
- iii) there has been a significant decline in trading volume.

When the financial instrument of the Group is traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value of stocks and monetary market fund listed on domestic and foreign markets, which are the financial assets with standard terms and conditions and traded in an active market, are based on the market closing prices.

Except the aforementioned financial instruments, with active market the others' fair value is based on valuation techniques. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting data.

When the financial instrument of the Group is traded in an inactive market, its fair value is illustrated by the category and nature as follows:

- Unquoted equity instruments: the fair value of financial instruments transactions in an inactive market, which is valued by comparable method. The main hypothesis is referred from the quotations of comparable listed companies and earning multiplies of PBR proportion as basic, which is adjusted by the discount affections of equity securities lacking market liquidity.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

The Group didn't have any fair value transfer between levels for the six months ended June 30, 2023 and 2022.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance on January 1, 2023	\$ 240,044
Total gains or losses:	
Recognized in other comprehensive income	(15,080)
Balance on June 30, 2023	<u>\$ 224,964</u>
Balance on January 1, 2022	\$ 79,987
Purchase	7,800
Total gains or losses:	
Recognized in other comprehensive income	63,643
Balance on June 30, 2022	<u>\$ 151,430</u>

The aforementioned total gains or losses were included “unrealized gains (losses) on equity investment measured at fair value through other comprehensive income”, which related to holding assets on June 30, 2023 and 2022 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Recognized in other comprehensive income	\$ (22,275)	56,989	(15,080)	63,643

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value were “financial assets measured at fair value through other comprehensive income – equity investments”.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Most of the Group's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	<ul style="list-style-type: none"> • Price-Book Ratio (as of June 30, 2023, December 31 and June 30, 2022 were 2.74~5.37、2.74~5.70 and 3.56~6.19, respectively) • Market liquidity discount rate (as of June 30, 2023, December 31 and June 30, 2022 were all 20%) 	<ul style="list-style-type: none"> • The estimated fair value would increase if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on June 30, 2023, December 31 and June 30, 2022:

<u>Inputs</u>	<u>Upwards or Downwards</u>	<u>Fair value variation on other comprehensive income</u>					
		<u>Favorable</u>			<u>Unfavorable</u>		
		<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Price-book ratio	5%	10,450	11,443	7,212	(10,450)	(11,443)	(7,212)
Market liquidity discount rate	5%	10,911	11,514	7,126	(10,911)	(11,514)	(7,126)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

- (x) Capital management

The Group's objectives, policies and processes of capital management were the same as those described in the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

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(y) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2023
			Foreign exchange movement	Others	
Short-term borrowings	\$ 1,665,417	142,619	(10,500)	-	1,797,536
Long-term borrowings	1,100,000	(30,000)	-	-	1,070,000
Lease liabilities	269,235	(17,395)	(929)	5,266	256,177
Total liabilities from financing activities	<u>\$ 3,034,652</u>	<u>95,224</u>	<u>(11,429)</u>	<u>5,266</u>	<u>3,123,713</u>

	January 1, 2022	Cash flows	Non-cash changes		June 30, 2022
			Foreign exchange movement	Others	
Short-term borrowings	\$ 2,056,402	25,071	7,192	-	2,088,665
Long-term borrowings	1,000,000	30,000	-	-	1,030,000
Lease liabilities	271,607	(16,839)	1,068	18,594	274,430
Total liabilities from financing activities	<u>\$ 3,328,009</u>	<u>38,232</u>	<u>8,260</u>	<u>18,594</u>	<u>3,393,095</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The following is the entity that has had transactions with related party during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
Chung Hwa Chemical Industrial Works, Ltd. (CHCIW)	The entity's chairman is the director of the Company
Ethical Investment Corporation, Ltd. (EIC)	The entity is the corporate director of the Company
Chen, Ding-Chuan	The individual is the representative of corporate director of the Company

(b) Significant transactions with related parties

(i) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
CHCIW	\$ 7,184	10,779	13,628	22,387

The prices, payment terms and other terms and conditions of purchase transactions with related parties were not materially different from those of the third-party vendors.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(ii) Payables to related parties

<u>Account</u>	<u>Name of related party</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes and accounts payable	CHCIW	\$ 10,542	14,467	15,821
Dividend payable	EIC	17,150	-	21,500
Dividend payable	Chen, Ding-Chuan	20,300	-	31,500
		<u>\$ 47,992</u>	<u>14,467</u>	<u>68,821</u>

(c) Key management personnel compensation

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 6,879	6,003	14,856	14,316
Post-employment benefits	131	120	244	250
	<u>\$ 7,010</u>	<u>6,123</u>	<u>15,100</u>	<u>14,566</u>

(8) Assets pledged as security: None.

(9) Commitments and contingencies

(a) The Group's unrecognized contractual commitment are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Acquisition of property, plant and equipment	<u>\$ 274,380</u>	<u>172,495</u>	<u>334,084</u>

(b) The Group's outstanding standby letter of credit are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Outstanding standby letter of credit	<u>\$ -</u>	<u>-</u>	<u>2,182</u>

(10) Losses due to major disasters

A fire accident occurred in building Plant #3 on March 10, 2022, and caused damage to some buildings, equipment and inventories. The aforementioned estimated disaster loss is \$66,851 thousand recognized in other gains and losses in December 31, 2022. The Company has already entered into related property insurance contracts and is currently in the process of negotiation with the insurance company to handle claims. The Company has confirmed with the insurance company and its notary to recognize the virtually certain amount of compensation that can be received from the insurance company as claim receivables, but shall not exceed the disaster loss of each asset. Therefore, as of March 31, 2022, the Company recognizes the claim receivable for \$34,000 thousand, as a deduction in other gains and losses. At June 30, 2023, the amount of claims confirmed to be available by the Company and the insurance company was \$34,196 thousand, with the difference of \$196 thousand recognized as a deduction from other gains and losses.

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(11) Subsequent Events: None.

(12) Other

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		178,989	153,151	332,140	189,540	162,172	351,712
Labor and health insurance		18,373	15,988	34,361	17,498	15,822	33,320
Pension		13,838	9,659	23,497	9,897	8,289	18,186
Remuneration of directors		-	459	459	-	2,996	2,996
Others		6,822	6,762	13,584	10,045	5,445	15,490
Depreciation (note)		120,421	29,146	149,567	129,503	31,539	161,042
Amortization		2,085	10,594	12,679	445	7,934	8,379

By item	By function	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		355,190	290,837	646,027	376,702	307,811	684,513
Labor and health insurance		37,161	32,063	69,224	35,734	31,604	67,338
Pension		21,288	16,951	38,239	20,224	17,205	37,429
Remuneration of directors		-	1,396	1,396	-	5,741	5,741
Others		12,989	12,456	25,445	16,181	9,875	26,056
Depreciation (note)		241,314	58,177	299,491	259,434	64,479	323,913
Amortization		2,579	23,714	26,293	995	17,145	18,140

Note: For the three months and the six months ended June 30, 2023 and 2022, depreciation expenses recognized were \$149,567 thousand, \$161,064 thousand, \$299,491 thousand and \$323,997 thousand, respectively, less deferred gains of \$0 thousand, \$22 thousand, \$0 thousand and \$84 thousand, respectively.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(13) Other disclosure

(a) Information on significant transactions

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2023:

1. Loans to other parties: None.

2. Guarantees and endorsements for other parties:

Number	Name of guarantor	Counter -party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements Amount	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to the companies in mainland China
		Name	Relationship with the Company (Note 2)										
0	ECIC	EVUS	Subsidiary	839,571	62,280	62,280	-	-	0.74%	2,098,928	Yes	No	No

Note1 : According to the Company’s Operating Procedures of Fund Lending and Guarantee, the amount of guarantees shall be limited to 25% of the Company’s net worth.

The individual guarantee amount shall not exceed 10% of the Company’s net worth

Note2 : The relationship of guarantee and endorsement with the Company and counter-party:

1. The Company that has a business relationship with endorsement/guarantee provider
2. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
3. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.
4. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider
5. The Company that has provided guarantees to endorsement/guarantee provider, and vice versa, due to contractual requirement;
6. An investee in which endorsement/guarantee provider conjunctly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act

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3. Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of Shares/Units)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units	Carrying value	Percentage of Ownership	Fair value	
ECIC	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,980	30,022		30,022	
"	CTBC Hua Win Money Market Fund	-	"	2,670	30,021		30,021	
"	Fubon Chi-Hsiang Money Market Fund	-	"	1,875	30,009		30,009	
GLTP	UPAMC James Bond Money Market Fund	-	"	399	6,795		6,795	
	Total				96,847		96,847	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	8,000	445,247	9%	496,000	
"	Chemical Industrial Works, LTD	The entity's chairman is the director of the Company	"	5,500	92,217	5%	190,575	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	74,793	
"	Andros Pharmaceuticals Co., Ltd.	-	"	4,724	103,120	14%	202,234	
GLTP	QISDA Corp.	-	"	50	1,620	-	2,295	
"	Andros Pharmaceuticals Co., Ltd.	-	"	260	7,800	1%	11,131	
"	Taiwan Bio Therapeutics Co., Ltd.	-	"	414	11,400	1%	11,599	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	74,793	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		252,216		-	
	Total				1,063,420		1,063,420	

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock

Name of company	Counter-party	Nature of relationship	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
ECIC	EVEU	Subsidiary	Sale	207,005	5.38%	OA 90	Non material differences from those of third-parties	Non material differences from those of third-parties	59,919	3.90%	Note
"	EVUS	"	"	165,930	5.72%	OA 100	"	"	104,821	15.30%	Note
"	ELITE	"	"	147,163	4.22%	OA 100	"	"	68,463	4.66%	Note

Note : The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

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8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance (note)	Turnover rate	Overdue		Amounts received in subsequent period (As of Aug 10, 2023)	Loss allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	104,821	3.72	-	-	46,732	-

Note : The amount of the transactions and the ending balance had been eliminated in the consolidated financial statements.

9. Trading in derivative instruments: Please refer to note 6(b).

10. Significant transactions and business relationships between the parent company and its subsidiaries:

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentages of the consolidated net revenue or total assets
0	ECIC	EVEU	1	Operating revenue	207,005	No material differences from those of third parties	5.38%
0	"	EVUS	1	"	165,930	"	4.31%
0	"	ELITE	1	"	147,163	"	3.82%
0	"	ADSH	1	"	87,771	"	2.28%
0	"	EVSZ	1	"	72,199	"	1.88%
0	"	ETSH	1	"	58,577	"	1.52%
0	"	EVSH	1	"	53,290	"	1.38%
1	TTI	EVUS	2	"	71,316	"	1.85%
1	"	EVSZ	2	"	68,950	"	1.79%

Note 1: Company numbering as follows:

Parent company - 0

Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

Parent company to subsidiary - 1

Subsidiary to subsidiary - 2

Note 3: These accounts are disclosed based on the amounts represented to 1% of consolidated net sales or 1% of consolidated net assets.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

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(b) Information on investments (excluding investment in mainland China):

The following are the information on investees for the six months ended June 30, 2023 (excluding investment in mainland China):

Units in thousands of shares

Reports by Securities Issuers	Name of investee	Location	Main businesses and products	Original investment amount		Balance of June 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	154,221	2,914	2,914	(Note 2)
"	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	40,400	506	506	(Note 2)
"	EVSG	Singapore	Investing business	794,290	794,290	24,800	100.00%	901,733	(31,876)	(31,876)	(Note 2)
"	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	61,550	914	914	(Note 2)
"	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	654,866	25,530	19,305	(Note 2)
"	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	114,299	(2,524)	(1,262)	(Note 2)
"	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,405	(681)	(138)	(Note 1)
"	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	4,856	16.78%	40,164	(28,560)	(4,363)	(Note 1)
"	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	31,956	11	11	(Note 2)
	Unrealized gross profit on sales			-	-			(50,196)		-	
				1,390,435	1,390,435			1,969,398		(13,989)	
EVSG	EVVN	Vietnam	Selling chemical product and related raw materials	12,140	12,140	-	100.00%	10,951	(1,250)	(1,250)	(Note 2)

Note 1: These companies are the investees of investments accounted for using equity method.

Note 2: The amounts of the transactions and the ending balance had been eliminated in the consolidated financial statements.

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(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

Units in thousands dollars

Reports by Securities Issuers	Main businesses and products	Total amount of paid-in capital		Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023		Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2023		Net income (losses) of the investee	Percentage of ownership	Investment income (losses)(Note 2)	Book value	Accumulated remittance of earnings in current period		
		USD/RMB	NTD		USD	NTD	Outflow	Inflow	USD	NTD					USD	TWD	
ETSH (Note 8)	Selling chemical product and related raw materials	USD	1,700 (Note 5 and 6)	52,938	(Note 6)	700	21,798			700	21,798	1,457	100.00%	1,457	153,783	2,961	92,206
ETGZ (Note 8)	Selling chemical product and related raw materials	USD	700 (Note 6)	21,798	(Note 6)	200	6,228			200	6,228	596	100.00%	596	94,304	1,523	47,426
EVSH (Note 8)	Selling chemical product and related raw materials	USD	1,250 (Note 6)	38,925	(Note 6)	1,100	34,254			1,100	34,254	1,333	100.00%	1,333	145,202	950	29,583
EVSZ (Note 8)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	USD	23,650 (Note 4)	736,461	(Note 1)	18,600	579,204			18,600	579,204	(27,991)	100.00%	(27,991)	798,891	-	-
ANDA	Selling electronic high tech chemical product	RMB	15,013 (Note 4)	64,286	(Note 1)	650	20,241			650	20,241	(3,900)	29.80%	(1,162)	7,051	-	-
ADSH (Note 8)	Selling electronic high tech chemical product	RMB	1,000 (Note 5)	4,282	(Note 5)	-	-			-	-	548	56.25%	308	11,313	-	-
3ESZ	Manufacturing and selling chemical product and related raw materials	USD	6,600 (Note 4)	205,524	(Note 1)	2,490	77,539			2,490	77,539	7,842	40.00%	3,137	69,266	-	-

Note 1: Reinvest in mainland China through third place (EVSG).

Note 2: Except for ANDA, these financial statements are reviewed by the same auditor of the Taiwan parent company and accounted for equity method. The financial statement of ANDA is not reviewed by independent auditors.

Note 3: Exchange rate: NTD vs USD (1:31.14), NTD vs RMB (1:4.282) . Expressed in thousands of New Taiwan Dollars unless otherwise specified.

Note 4: EVSG invested in EVSZ USD 5,050 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds. In addition, ANDA increased its capital to RMB 15,013 after changing the original registered capital from USD 1,200 to RMB 8,445 due to operation needs.

Note 5: ANDA invested in ADSH amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds. And due to thereorganized structure, ANDA is reinvested directly by EVSG.

Note 6: EVSZ invested in ETSH USD 1,700 thousand, ETGZ USD 700 thousand and EVSH USD 1,250 thousand by issuing shares.

Note 7: Included the capital increasing amounted to USD 1,000 thousand from earning.

Note 8: The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

(ii) Limitation on investment in mainland China:

Accumulated Investment in mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
792,108 (USD 25,437)	720,766 (USD 23,146)	5,234,637

As of June 30, 2023, the difference between accumulated investment in mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (2,291) thousand, including the follows:

- (i) ETSH: capital increasing amounted to USD 1,000 thousand from earning.
- (ii) EVSG: investment amounted to USD 2,425 thousand by owned funds.
- (iii) EVSG: remittance of earnings amounted to USD (5,716) thousand.

(iii) Significant transactions:

For the three months ended June 30, 2023, the information on direct or indirect significant transactions with investees in mainland China, which had been eliminated in the consolidated financial statements, is disclosed in note 13(a) Information on significant transactions.

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(d) Major shareholders :

(In Shares)

Shareholding Shareholder's Name	Shares	Percentage
CHEN,DING-CHUAN	58,000,000	10.58%
ETHICAL INVESTMENT CORPORATION	49,000,000	8.94%

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(14) Segment information

(a) General information

The Group's operating segment information and reconciliation are as follow:

	For the three months ended June 30, 2023							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 794,940	499,588	265,249	292,460	53,809	-	-	1,906,046
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 794,940</u>	<u>499,588</u>	<u>265,249</u>	<u>292,460</u>	<u>53,809</u>	<u>-</u>	<u>-</u>	<u>1,906,046</u>
Reportable segment profit or loss	<u>\$ (10,176)</u>	<u>40,431</u>	<u>20,554</u>	<u>(4,601)</u>	<u>(39,621)</u>	<u>10,744</u>	<u>-</u>	<u>17,331</u>

	For the three months ended June 30, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 921,859	661,985	331,252	347,065	61,640	-	-	2,323,801
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 921,859</u>	<u>661,985</u>	<u>331,252</u>	<u>347,065</u>	<u>61,640</u>	<u>-</u>	<u>-</u>	<u>2,323,801</u>
Reportable segment profit or loss	<u>\$ 52,645</u>	<u>56,611</u>	<u>26,236</u>	<u>11,811</u>	<u>(39,645)</u>	<u>45,609</u>	<u>-</u>	<u>153,267</u>

	For the six months ended June 30, 2023							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 1,538,386	1,057,034	533,404	587,897	131,355	-	-	3,848,076
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 1,538,386</u>	<u>1,057,034</u>	<u>533,404</u>	<u>587,897</u>	<u>131,355</u>	<u>-</u>	<u>-</u>	<u>3,848,076</u>
Reportable segment profit or loss	<u>\$ (10,754)</u>	<u>85,199</u>	<u>38,740</u>	<u>2,099</u>	<u>(55,778)</u>	<u>6,584</u>	<u>-</u>	<u>66,090</u>

	For the six months ended June 30, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 1,889,784	1,429,881	652,932	651,278	112,159	-	-	4,736,034
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 1,889,784</u>	<u>1,429,881</u>	<u>652,932</u>	<u>651,278</u>	<u>112,159</u>	<u>-</u>	<u>-</u>	<u>4,736,034</u>
Reportable segment profit or loss	<u>\$ 150,200</u>	<u>118,737</u>	<u>54,623</u>	<u>4,134</u>	<u>(73,539)</u>	<u>50,442</u>	<u>-</u>	<u>304,597</u>