

(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 Nine Months Ended September 30, 2023 and 2022**

Address: 5~6F., No.77, Sec. 2, DunHua S.Rd., Taipei 106, Taiwan
Telephone: +886-2-2706-6006

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~38
(7) Related-party transactions	38~39
(8) Assets pledged as security	39
(9) Commitments and contingencies	39
(10) Losses due to major disasters	40
(11) Subsequent Events	40
(12) Other	40
(13) Other disclosures	
(a) Information on significant transactions	41~43
(b) Information on investees	44
(c) Information on investment in mainland China	45
(d) Major shareholders	46
(14) Segment information	47



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 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 \$270,311 thousand and \$281,592 thousand, constituting 2.09% and 2.08% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to \$55,652 thousand and \$37,428 thousand, constituting 1.31% and 0.77% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive income (loss) amounting to \$3,843 thousand, \$(1,477) thousand, \$(5,788) thousand and \$3,046 thousand, constituting (10.76)%, (3.14)%, (5.47)% and (1.79)% of consolidated total comprehensive income for the three months and nine months ended September 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 \$137,357 thousand and \$136,925 thousand as of September 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$(302) thousand, \$3,065 thousand, \$(2,828) thousand and \$9,741 thousand for the three months and nine months ended September 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 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' review report are Ming-Hung Huang and Chia-Chien Tang.

KPMG

Taipei, Taiwan (Republic of China)
November 9, 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
September 30, 2023, December 31 and September 30, 2022
(Expressed in Thousands New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets :								Current liabilities							
1100	Cash and cash equivalents (note 6(a))	\$ 1,248,483	10	1,215,150	9	1,339,736	10	2100	Short-term borrowings (notes 6(k) and 8)	\$ 1,747,926	14	1,665,417	13	2,074,554	15
1110	Financial assets at fair value through profit or loss-current (note 6(b))	7,815	-	4,020	-	16,456	-	2322	Long-term borrowings, current portion (note 6(l))	42,500	-	12,500	-	-	-
1136	Financial assets at amortized cost-current (note 6(b))	-	-	-	-	20,000	-	2151	Notes payable (note 7)	30,630	-	89,065	1	188,479	1
1150	Notes receivable, net (notes 6(c) and (t))	201,015	2	188,005	2	193,440	1	2170	Accounts payable (note 7)	372,372	3	341,564	3	310,753	2
1170	Accounts receivable, net (notes 6(c), (t) and 8)	1,583,804	12	1,346,800	10	1,591,066	12	2209	Other payable (note 6(s))	406,272	3	502,833	4	434,398	4
130X	Inventories (notes 6(d), 8 and 10)	3,499,291	27	3,970,872	30	3,859,583	28	2213	Payable on equipment	20,799	-	36,334	-	14,985	-
1476	Other current financial assets (note 10)	17,535	-	64,518	-	79,148	1	2230	Current tax liabilities	58,512	1	41,077	-	107,032	1
1479	Other current assets (note 6(h))	115,471	1	114,841	1	154,212	1	2280	Lease liabilities-current (note 6(m))	35,354	-	35,421	-	34,629	-
	Total current assets	<u>6,673,414</u>	<u>52</u>	<u>6,904,206</u>	<u>52</u>	<u>7,253,641</u>	<u>53</u>	2399	Other current liabilities (note 6(n))	45,492	-	45,038	-	47,714	1
									Total current liabilities	<u>2,759,857</u>	<u>21</u>	<u>2,769,249</u>	<u>21</u>	<u>3,212,544</u>	<u>24</u>
Non-current assets:								Non-current liabilities :							
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(b))	938,308	7	956,411	7	937,659	7	2540	Long-term borrowings (note 6(l))	1,027,500	8	1,087,500	8	1,100,000	8
1550	Investments accounted for using equity method (note 6(e))	137,357	1	133,663	1	136,925	1	2570	Deferred tax liabilities	95,327	1	95,327	1	86,879	1
1600	Property, plant and equipment (notes 6(g), 9 and 10)	4,523,318	35	4,541,097	35	4,586,800	34	2580	Lease liabilities non-current (note 6(m))	231,497	2	233,814	2	241,184	2
1755	Right-of-use assets (note 6(i))	276,092	2	279,846	2	287,429	2	2640	Net defined benefit liability	50,515	-	75,952	1	175,917	1
1780	Intangible assets (note 6(j))	139,182	1	151,334	2	97,067	1	2670	Other non-current liabilities (note 6(n))	74,114	1	63,964	-	63,964	-
1840	Deferred tax assets	59,464	1	59,464	-	109,394	1		Total non-current liabilities	<u>1,478,953</u>	<u>12</u>	<u>1,556,557</u>	<u>12</u>	<u>1,667,944</u>	<u>12</u>
1915	Prepayments for equipment	143,139	1	89,671	1	117,469	1		Total liabilities	<u>4,238,810</u>	<u>33</u>	<u>4,325,806</u>	<u>33</u>	<u>4,880,488</u>	<u>36</u>
1980	Other non-current financial assets (notes 6(c) and (t))	3,442	-	3,387	-	3,585	-	Equity attributable to owners of parent (notes 6(b), (e), (f) and (q)) :							
1990	Other non-current assets	13,843	-	13,424	-	13,022	-	3100	Common shares	5,477,522	42	5,477,522	42	5,477,522	40
	Total non-current assets	<u>6,234,145</u>	<u>48</u>	<u>6,228,297</u>	<u>48</u>	<u>6,289,350</u>	<u>47</u>	3200	Capital surplus	474,558	4	474,558	3	474,558	4
								3300	Retained earnings	2,333,927	18	2,432,588	19	2,306,502	17
								3400	Other equity	67,159	1	70,404	1	68,634	1
									Total equity attributable to owners of parent	<u>8,353,166</u>	<u>65</u>	<u>8,455,072</u>	<u>65</u>	<u>8,327,216</u>	<u>62</u>
								36XX	Non-controlling interests (note 6(f))	<u>315,583</u>	<u>2</u>	<u>351,625</u>	<u>2</u>	<u>335,287</u>	<u>2</u>
									Total equity	<u>8,668,749</u>	<u>67</u>	<u>8,806,697</u>	<u>67</u>	<u>8,662,503</u>	<u>64</u>
Total assets		<u>\$ 12,907,559</u>	<u>100</u>	<u>13,132,503</u>	<u>100</u>	<u>13,542,991</u>	<u>100</u>	Total liabilities and equity		<u>\$ 12,907,559</u>	<u>100</u>	<u>13,132,503</u>	<u>100</u>	<u>13,542,991</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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share)

	For the three months ended September 30				For the nine months ended September 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(t))	\$ 2,070,397	100	2,230,065	100	5,918,473	100	6,966,099	100
5000	Operating costs (notes 6(d), (g), (i), (m), (o), (s), 7 and 12)	1,668,559	81	1,744,384	78	4,735,570	80	5,403,058	77
5950	Gross profit from operations	401,838	19	485,681	22	1,182,903	20	1,563,041	23
6000	Operating expenses (notes 6(c), (g), (i), (m), (o), (s), 7 and 12):								
6100	Selling expenses	195,988	9	223,112	10	571,971	10	718,616	10
6200	Administrative expenses	100,718	5	82,664	4	288,446	5	252,820	4
6300	Research and development expenses	91,619	4	98,366	4	260,583	4	276,303	4
6450	Expected credit loss (gain)	1,638	-	(2,221)	-	(2,330)	-	(6,435)	-
	Total operating expenses	389,963	18	401,921	18	1,118,670	19	1,241,304	18
6900	Net operating income	11,875	1	83,760	4	64,233	1	321,737	5
7000	Non-operating income and expenses (notes 6(e), (g), (m), (u) and 10) :								
7100	Interest income	3,675	-	1,441	-	8,767	-	3,321	-
7010	Other income	13,439	-	8,740	-	25,439	-	47,198	1
7020	Other gains and losses	52,839	3	39,532	2	97,567	2	86,276	1
7050	Finance costs	(24,853)	(1)	(19,821)	(1)	(70,415)	(1)	(46,959)	(1)
7060	Share of gains (losses) of associates accounted for using equity method	(302)	-	3,065	-	(2,828)	-	9,741	-
	Total non-operating income and expense	44,798	2	32,957	1	58,530	1	99,577	1
7900	Income before income tax	56,673	3	116,717	5	122,763	2	421,314	6
7951	Income tax expenses (note 6(p))	9,024	1	25,927	1	22,493	-	80,181	1
8200	Net income	47,649	2	90,790	4	100,270	2	341,133	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	(124,499)	(6)	(81,517)	(4)	(16,636)	-	(596,425)	(8)
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	(124,499)	(6)	(81,517)	(4)	(16,636)	-	(596,425)	(8)
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	42,289	2	39,783	2	26,546	-	88,474	1
8370	Share of other comprehensive income of associates accounted for using equity method	(1,171)	-	(2,089)	-	(4,373)	-	(3,077)	-
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	41,118	2	37,694	2	22,173	-	85,397	1
8300	Other comprehensive income (after tax)	(83,381)	(4)	(43,823)	(2)	5,537	-	(511,028)	(7)
8500	Total comprehensive income	\$ (35,732)	(2)	46,967	2	105,807	2	(169,895)	(2)
	Profit attributable to:								
8610	Owners of parent	\$ 45,003	2	84,158	4	92,557	2	321,370	5
8620	Non-controlling interests	2,646	-	6,632	-	7,713	-	19,763	-
		\$ 47,649	2	90,790	4	100,270	2	341,133	5
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (42,549)	(2)	33,897	2	89,807	2	(205,048)	(3)
8720	Non-controlling interests	6,817	-	13,070	-	16,000	-	35,153	1
		\$ (35,732)	(2)	46,967	2	105,807	2	(169,895)	(2)
9750	Basic earnings per share (note 6(r)) (expressed in New Taiwan dollars)	\$ 0.08		0.15		0.17		0.59	
9850	Diluted earnings per share (note 6(r)) (expressed in New Taiwan dollars)	\$ 0.08		0.15		0.17		0.59	

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 nine months ended September 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	-	-	-	-	321,370	321,370	-	-	-	321,370	19,763	341,133
Other comprehensive income	-	-	-	-	-	-	69,523	(595,941)	(526,418)	(526,418)	15,390	(511,028)
Total comprehensive income	-	-	-	-	321,370	321,370	69,523	(595,941)	(526,418)	(205,048)	35,153	(169,895)
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 September 30, 2022	\$ 5,477,522	474,558	1,143,947	30,438	1,132,117	2,306,502	(60,795)	129,429	68,634	8,327,216	335,287	8,662,503
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	-	-	-	-	92,557	92,557	-	-	-	92,557	7,713	100,270
Other comprehensive income	-	-	-	-	-	-	16,616	(19,366)	(2,750)	(2,750)	8,287	5,537
Total comprehensive income	-	-	-	-	92,557	92,557	16,616	(19,366)	(2,750)	89,807	16,000	105,807
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	-	-	-	-	-	-	-	-	-	-	(52,042)	(52,042)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	495	495	-	(495)	(495)	-	-	-
Balance on September 30, 2023	\$ 5,477,522	474,558	1,189,717	30,438	1,113,772	2,333,927	(60,371)	127,530	67,159	8,353,166	315,583	8,668,749

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 nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 122,763	421,314
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	450,167	481,077
Amortization expense	38,072	26,017
Expected credit gain	(2,330)	(6,435)
Net gains on financial assets at fair value through profit	(1,131)	(12,573)
Interest expense	70,415	46,959
Interest income	(8,767)	(3,321)
Dividend income	(25,439)	(47,198)
Share of gains (losses) of associates accounted for using equity method	2,828	(9,741)
Losses (gains) on disposal of property, plant and equipment	(1,162)	2,822
Losses on disposal of investment accounted for using equity method	4,834	-
Losses (gains) due to disaster	(6,352)	32,381
Other	276	(12)
Total adjustments to reconcile profit	<u>521,411</u>	<u>509,976</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(17,782)	27,994
Accounts receivable and overdue receivable (under other non-current financial assets)	(235,396)	82,744
Inventories	485,793	(286,421)
Other current financial assets	43,942	(16,405)
Other current assets	(875)	(24,053)
Total changes in operating assets	<u>275,682</u>	<u>(216,141)</u>
Changes in operating liabilities:		
Notes payable	(58,500)	(50,430)
Accounts payable	14,579	(12,539)
Other payable	(111,173)	(105,274)
Other current liabilities	(23,665)	(5,161)
Net defined benefit liability	(25,437)	(41,534)
Other non-current liabilities	34,000	(2,378)
Total changes in operating liabilities	<u>(170,196)</u>	<u>(217,316)</u>
Total changes in operating assets and liabilities	<u>105,486</u>	<u>(433,457)</u>
Total adjustments	<u>626,897</u>	<u>76,519</u>
Cash inflow generated from operations	749,660	497,833
Interest received	8,641	3,305
Dividends received	25,439	47,684
Income taxes paid	(5,060)	(105,907)
Net cash flows from operating activities	<u>778,680</u>	<u>442,915</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	(90,000)	(110,000)
Proceeds from disposal of financial assets at amortized cost	90,000	93,502
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	90,086	102,365
Acquisition of financial assets at fair value through other comprehensive income	-	(35,389)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,467	31,169
Acquisition of property, plant and equipment	(317,655)	(163,004)
Proceeds from disposal of property, plant and equipment	1,912	1,398
Acquisition of intangible assets	(36,217)	(7,207)
Proceeds from disposal of intangible assets	11,037	-
Increase in other non-current financial assets	(39)	(12)
Increase in other non-current assets	(403)	(880)
Increase in prepayments for equipment	(160,565)	(150,225)
Net cash outflows from losing control of subsidiary	(31,947)	-
Net cash used in investing activities	<u>(535,074)</u>	<u>(284,283)</u>
Cash flows used in financing activities:		
Increase in short-term borrowings	4,250,131	4,310,054
Decrease in short-term borrowings	(4,168,057)	(4,304,403)
Proceeds from long-term borrowings	2,170,000	100,000
Repayments of long-term borrowings	(2,200,000)	-
Payments of lease liabilities	(26,071)	(25,645)
Cash dividends paid	(191,713)	(273,876)
Interest paid	(64,401)	(43,092)
Subsidiaries distributed cash dividends to non-controlling interests	(7,311)	(7,181)
Net cash used in financing activities	<u>(237,422)</u>	<u>(244,143)</u>
Effect on exchange rate changes on cash and cash equivalents	<u>27,149</u>	<u>(24,506)</u>
Net increase (decrease) in cash and cash equivalents	<u>33,333</u>	<u>(110,017)</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>\$ 1,248,483</u>	<u>1,339,736</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
September 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 November 9, 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”

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

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

(b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the 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
			September 30, 2023	December 31, 2022	September 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)
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 1) 、 (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(EVNN)	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 1) 、 (note 4)
EVSZ	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	100.00	100.00	100.00	-

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
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 AD SH 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 financial statements beginning January 2023.

(note 5): As of November 18, 2022, The company issue shares to establish subsidiary EVVN by 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.

(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.

(Continued)

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

(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 December 31, 2022. Please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 2,821	1,848	2,948
Cash in bank	1,096,750	1,120,733	1,238,685
Time deposits	148,912	92,569	98,103
Cash and cash equivalents	\$ 1,248,483	1,215,150	1,339,736

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

(b) Financial assets and liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily measured at fair value through profit or loss:			
Monetary market fund	\$ 6,815	4,020	4,013
Option contracts	1,000	-	12,443
Total	\$ 7,815	4,020	16,456

(Continued)

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

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 on September 30, 2023 and 2022:

September 30, 2023			
	Contract amount (in thousand)	Currency	Period
Option contracts	<u>\$ 1,300</u>	EUR	2023/10/18~2023/12/29
September 30, 2022			
	Contract amount (in thousand)	Currency	Period
Option contracts	<u>\$ 4,300</u>	EUR	2022/10/26~2022/12/29
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:

	September 30, 2023	December 31, 2022	September 30, 2022
Stocks listed on domestic markets	\$ 744,930	716,367	717,859
Domestic unlisted common shares	<u>193,378</u>	<u>240,044</u>	<u>219,800</u>
	<u>\$ 938,308</u>	<u>956,411</u>	<u>937,659</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.

For the nine months ended September 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 \$1,467 thousand and \$31,169 thousand, and the Group realized a gain of \$495 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Government bonds	<u>\$ -</u>	<u>-</u>	<u>20,000</u>

(Continued)

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

The Group purchased government bonds with a face value of 20,000 thousand during August 2022. The due date of government bonds were October 31, 2022, and its' effective interest rate were 0.42%. There were no such transaction for the nine month ended September 30, 2023 and for the year ended December 31, 2022.

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

(v) The aforementioned financial assets were not pledged.

(c) Receivables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 201,515	189,088	194,434
Accounts receivable	1,609,122	1,374,869	1,619,664
Overdue receivable (under other non-current financial assets)	37,921	37,518	38,218
Less: loss allowance	<u>(63,739)</u>	<u>(66,670)</u>	<u>(67,810)</u>
	<u>\$ 1,784,819</u>	<u>1,534,805</u>	<u>1,784,506</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:

	<u>September 30, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,678,494	0.01%~0.14%	8,654
1 to 90 days past due	125,071	1.16%~15.57%	11,530
91 to 365 days past due	7,072	16.03%~45.08%	5,634
More than 365 days past due	<u>37,921</u>	100%	<u>37,921</u>
	<u>\$ 1,848,558</u>		<u>63,739</u>
	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
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	<u>37,518</u>	100%	<u>37,518</u>
	<u>\$ 1,601,475</u>		<u>66,670</u>

(Continued)

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

	September 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,656,249	0.01%~0.29%	2,454
1 to 90 days past due	148,787	1.32%~10.3%	22,644
91 to 365 days past due	9,062	12.65%~54.18%	4,494
More than 365 days past due	38,218	100%	38,218
	\$ 1,852,316		67,810

The detail of loss allowance were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ 500	1,083	994
Accounts receivable	25,318	28,069	28,598
Overdue receivable	37,921	37,518	38,218
	\$ 63,739	66,670	67,810

The movement in the allowance for receivables was as follows:

	For the nine months ended September 30	
	2023	2022
Balance on January 1	\$ 66,670	75,815
Impairment losses reversed	(2,330)	(6,435)
Amounts written off	(638)	(3,276)
Effect on movements in exchange rates	37	1,706
Balance on September 30	\$ 63,739	67,810

As of September 30, 2022, the aforementioned financial assets of the Group had been pledged as collateral for short-term borrowings, please refer to note 8. As of September 30, 2023 and December 31, 2022, the aforementioned financial assets were not pledged.

(d) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 882,484	1,088,520	1,061,468
Supplies	22,929	24,429	26,364
Work in progress	691,900	626,665	574,556
Finished goods	1,850,651	2,172,424	2,052,303
Materials in transit	51,327	58,834	144,892
	\$ 3,499,291	3,970,872	3,859,583

(Continued)

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

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:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Losses (gains) on valuation of inventories	\$ (2,293)	5,087	485	5,873
Losses on inventory count	5	1,281	1,353	2,248
Unallocated production overheads	95,696	62,220	251,614	144,754
Losses on obsolescence	-	-	764	6,417
Scrap income	(386)	(522)	(1,246)	(1,604)
	<u>\$ 93,022</u>	<u>68,066</u>	<u>252,970</u>	<u>157,688</u>

As of September 30, 2022, the aforementioned inventories of the Group had been pledged as collateral for short-term borrowings, please refer to note 8. As of September 30, 2023 and December 31, 2022, 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:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Associates	<u>\$ 137,357</u>	<u>133,663</u>	<u>136,925</u>

(ii) Associates

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Carrying amount of individually insignificant associates	<u>\$ 137,357</u>	<u>133,663</u>	<u>136,925</u>
	<u>For the three months ended September 30</u>	<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Attributable to the Group:			
Profit from continuing operations	\$ (302)	3,065	(2,828)
Other comprehensive income	(1,171)	(2,089)	(3,077)
Total comprehensive income	<u>\$ (1,473)</u>	<u>976</u>	<u>(7,201)</u>

(Continued)

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

(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 the 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><u>41,208</u></u>

(iv) Pledge

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

(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>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
TTI	Taiwan	23.85 %	23.85 %	23.85 %

(Continued)

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

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.

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 744,100	706,102	772,233
Non-current assets	838,098	818,481	825,424
Current liabilities	(417,153)	(413,160)	(493,559)
Non-current liabilities	(304,282)	(268,912)	(283,716)
Net assets	<u>\$ 860,763</u>	<u>842,511</u>	<u>820,382</u>
Non-controlling interest	<u>\$ 205,259</u>	<u>200,906</u>	<u>195,630</u>

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating revenues	<u>\$ 173,036</u>	<u>279,939</u>	<u>634,645</u>	<u>789,138</u>
Net income (loss)	(1,037)	31,785	24,493	63,084
Other comprehensive income	(321)	(5,992)	11,449	(2,033)
Total comprehensive income	<u>\$ (1,358)</u>	<u>25,793</u>	<u>35,942</u>	<u>61,051</u>
Profit (loss) attributable to non-controlling interests	<u>\$ (247)</u>	<u>7,579</u>	<u>5,841</u>	<u>15,044</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ (324)</u>	<u>6,150</u>	<u>8,571</u>	<u>14,559</u>

	For the nine months ended September 30	
	2023	2022
Net cash flows from operating activities	\$ 6,198	143,368
Net cash used in investing activities	(46,225)	(29,074)
Net cash flows from (used in) financing activities	68,514	(12,839)
Net increase in cash and cash equivalents	<u>\$ 28,487</u>	<u>101,455</u>
Cash dividend distributed to non-controlling interests	<u>\$ (4,218)</u>	<u>-</u>

(g) Property, plant and equipment

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

	Land	Land improvements	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance on January 1, 2023	\$ 894,152	159,000	4,494,950	9,854,921	126,296	15,529,319
Additions	-	34,700	12,144	97,204	158,072	302,120
Disposals	-	-	(56,786)	(60,847)	-	(117,633)
Reclassification (note)	-	-	15,076	117,867	(19,575)	113,368
Effects on loss of control of subsidiaries	-	-	-	(4,382)	-	(4,382)
Effect on movements in exchange rates	192	-	1,997	2,985	8	5,182
Balance on September 30, 2023	<u>\$ 894,344</u>	<u>193,700</u>	<u>4,467,381</u>	<u>10,007,748</u>	<u>264,801</u>	<u>15,827,974</u>

(Continued)

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

	<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>
Balance on January 1, 2022	\$ 893,780	159,000	4,460,492	9,972,383	143,367	15,629,022
Additions	-	-	12,244	55,742	66,941	134,927
Disposals	-	-	(5,855)	(397,289)	(1,345)	(404,489)
Reclassification (note)	-	-	17,366	70,909	(32,113)	56,162
Effect on movements in exchange rates	500	-	13,551	26,733	186	40,970
Balance on September 30, 2022	<u>\$ 894,280</u>	<u>159,000</u>	<u>4,497,798</u>	<u>9,728,478</u>	<u>177,036</u>	<u>15,456,592</u>
Accumulated depreciation and impairment:						
Balance on January 1, 2023	\$ -	20,537	2,887,767	8,079,918	-	10,988,222
Depreciation	-	7,071	118,595	297,011	-	422,677
Disposals	-	-	(46,624)	(60,142)	-	(106,766)
Effects on loss of control of subsidiaries	-	-	-	(3,402)	-	(3,402)
Effect on movements in exchange rates	-	-	1,400	2,525	-	3,925
Balance on September 30, 2023	<u>\$ -</u>	<u>27,608</u>	<u>2,961,138</u>	<u>8,315,910</u>	<u>-</u>	<u>11,304,656</u>
Balance on January 1, 2022	\$ -	12,588	2,726,137	7,998,867	-	10,737,592
Depreciation	-	5,963	124,856	322,733	-	453,552
Disposals	-	-	(5,795)	(345,129)	-	(350,924)
Reclassification	-	-	567	(567)	-	-
Effect on movements in exchange rates	-	-	7,894	21,678	-	29,572
Balance on September 30, 2022	<u>\$ -</u>	<u>18,551</u>	<u>2,853,659</u>	<u>7,997,582</u>	<u>-</u>	<u>10,869,792</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 September 30, 2023	<u>\$ 894,344</u>	<u>166,092</u>	<u>1,506,243</u>	<u>1,691,838</u>	<u>264,801</u>	<u>4,523,318</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 September 30, 2022	<u>\$ 894,280</u>	<u>140,449</u>	<u>1,644,139</u>	<u>1,730,896</u>	<u>177,036</u>	<u>4,586,800</u>

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

- (i) For the nine months ended September 30, 2023 and 2022, the Group capitalized the interest expenses on construction in progress amounted to \$7,625 thousand and \$2,609 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.14%~0.3% and 0.08%~0.13%, respectively.
- (ii) As of September 30, 2023, December 31 and September 30, 2022, the property, plant and equipment of the Group had not been pledged.
- (h) Other current assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Prepayments	\$ 84,749	92,097	130,446
Offset against business tax payable and input taxes	25,719	22,744	23,476
Temporary payments	5,003	-	-
Others	-	-	290
	<u>\$ 115,471</u>	<u>114,841</u>	<u>154,212</u>

(Continued)

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

(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:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2023	\$ 218,381	162,300	18,513	399,194
Acquisitions	-	24,336	3,756	28,092
Disposals	-	(16,597)	(1,513)	(18,110)
Effects on loss of control of subsidiaries	-	(8,445)	-	(8,445)
Effect on changes in foreign exchange rates	<u>27</u>	<u>677</u>	<u>109</u>	<u>813</u>
Balance on September 30, 2023	<u>\$ 218,408</u>	<u>162,271</u>	<u>20,865</u>	<u>401,544</u>
Balance on January 1, 2022	\$ 217,239	136,290	15,727	369,256
Acquisitions	815	22,165	5,491	28,471
Disposals	-	(1,917)	(1,811)	(3,728)
Effect on changes in foreign exchange rates	<u>649</u>	<u>2,910</u>	<u>10</u>	<u>3,569</u>
Balance on September 30, 2022	<u>\$ 218,703</u>	<u>159,448</u>	<u>19,417</u>	<u>397,568</u>
Accumulated depreciation:				
Balance on January 1, 2023	\$ 22,928	87,542	8,878	119,348
Depreciation	3,869	21,041	2,580	27,490
Disposals	-	(15,185)	(1,513)	(16,698)
Effects on loss of control of subsidiaries	-	(5,048)	-	(5,048)
Effect on changes in foreign exchange rates	<u>3</u>	<u>277</u>	<u>80</u>	<u>360</u>
Balance on September 30, 2023	<u>\$ 26,800</u>	<u>88,627</u>	<u>10,025</u>	<u>125,452</u>
Balance on January 1, 2022	\$ 17,153	60,000	7,543	84,696
Depreciation	4,314	20,408	2,803	27,525
Disposals	-	(1,671)	(1,811)	(3,482)
Effect on changes in foreign exchange rates	<u>56</u>	<u>1,341</u>	<u>3</u>	<u>1,400</u>
Balance on September 30, 2022	<u>\$ 21,523</u>	<u>80,078</u>	<u>8,538</u>	<u>110,139</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 September 30, 2023	<u>\$ 191,608</u>	<u>73,644</u>	<u>10,840</u>	<u>276,092</u>
Balance on January 1, 2022	<u>\$ 200,086</u>	<u>76,290</u>	<u>8,184</u>	<u>284,560</u>
Balance on September 30, 2022	<u>\$ 197,180</u>	<u>79,370</u>	<u>10,879</u>	<u>287,429</u>

(Continued)

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

(j) Intangible assets

	REACH registration related expenses	Software	Others	Total
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 September 30, 2023	\$ <u>82,488</u>	<u>55,038</u>	<u>1,656</u>	<u>139,182</u>
Balance on January 1, 2022	\$ <u>110,401</u>	-	<u>5,355</u>	<u>115,756</u>
Balance on September 30, 2022	\$ <u>93,283</u>	-	<u>3,784</u>	<u>97,067</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 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

	Borrowing currency	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	NTD	\$ 761,597	465,000	550,000
Unsecured bank loans	RMB	338,477	326,892	316,017
Unsecured bank loans	USD	568,238	793,902	1,105,210
Secured bank loans	USD	-	-	23,670
Short-term notes and bills payable	NTD	79,614	79,623	79,657
Total		\$ <u>1,747,926</u>	<u>1,665,417</u>	<u>2,074,554</u>
Unused credit lines		\$ <u>4,168,391</u>	<u>3,843,932</u>	<u>3,912,631</u>
Range of interest rate		<u>1.28%~7.26%</u>	<u>1.09%~7.25%</u>	<u>1.09%~7.25%</u>

As of September 30, 2023, December 31 and September 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 collateral for short-term borrowing on September 30, 2022, please refer to note 8. In addition, the Group had not pledged the assets as collateral for short-term borrowings on September 30, 2023 and December 31, 2022.

(l) Long-term borrowings

	September 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>

(Continued)

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

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>
September 30, 2022				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.43%~1.92%	2023.12~2027.6	\$ 1,100,000
Less: long-term borrowings, current portion				-
Total				<u>\$ 1,100,000</u>
Unused credit lines				<u>\$ 350,000</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	<u>\$ 35,354</u>	<u>35,421</u>	<u>34,629</u>
Non-current	<u>\$ 231,497</u>	<u>233,814</u>	<u>241,184</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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 1,428</u>	<u>1,616</u>	<u>4,309</u>	<u>4,685</u>
Expenses relating to short-term leases	<u>\$ 576</u>	<u>482</u>	<u>2,932</u>	<u>2,925</u>

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

	For the nine months ended September 30	
	2023	2022
Total cash outflow for leases	<u>\$ 33,312</u>	<u>33,255</u>

(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.

(Continued)

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

(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:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Balance on January 1	\$ 87,450	87,450	87,450
Additions	34,000	-	-
Decreases	(31,800)	-	-
Balance on September 30	<u>\$ 89,650</u>	<u>87,450</u>	<u>87,450</u>

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.

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating costs	\$ 1,073	1,447	3,483	4,313
Operating expenses	846	1,067	2,668	3,729
	<u>\$ 1,919</u>	<u>2,514</u>	<u>6,151</u>	<u>8,042</u>

(ii) Defined contribution plans

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating costs	\$ 9,209	8,849	28,087	26,207
Operating expenses	7,687	7,467	22,816	22,010
	<u>\$ 16,896</u>	<u>16,316</u>	<u>50,903</u>	<u>48,217</u>

(Continued)

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

(p) Income taxes

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Current tax expense	\$ 9,024	25,927	22,493	80,181

(ii) The Company's income tax returns for all years through 2021 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 September 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.

(ii) Distribution of earnings

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

	2022		2021	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.35	\$ 191,713	0.50	273,876

(Continued)

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

(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	-	(19,366)	2,730	(16,636)
Exchange differences on translation of foreign financial statements	20,989	-	5,557	26,546
Exchange differences on associates accounted for using equity method	(4,373)	-	-	(4,373)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(495)	-	(495)
Balance on September 30, 2023	<u>\$ (60,371)</u>	<u>127,530</u>	<u>23,776</u>	<u>90,935</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	-	(595,941)	(484)	(596,425)
Exchange differences on translation of foreign financial statements	72,600	-	15,874	88,474
Exchange differences on associates accounted for using equity method	(3,077)	-	-	(3,077)
Disposal of equity instruments designated at fair value through other comprehensive income	-	(10,243)	-	(10,243)
Balance on September 30, 2022	<u>\$ (60,795)</u>	<u>129,429</u>	<u>6,815</u>	<u>75,449</u>

(r) Earning per share

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earning per share				
Profit attributable to common shareholders of the Company	\$ <u>45,003</u>	<u>84,158</u>	<u>92,557</u>	<u>321,370</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>\$ 0.08</u>	<u>0.15</u>	<u>0.17</u>	<u>0.59</u>

(Continued)

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

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Diluted earning per share				
Profit attributable to common shareholders of the Company	\$ <u>45,003</u>	<u>84,158</u>	<u>92,557</u>	<u>321,370</u>
Weighted-average number of common shares outstanding (basic) (thousand share)	547,752	547,752	547,752	547,752
Effect of employee compensation (thousand share)	<u>303</u>	<u>333</u>	<u>662</u>	<u>1,461</u>
Weighted-average number of common shares outstanding (diluted) (thousand share)	<u>548,055</u>	<u>548,085</u>	<u>548,414</u>	<u>549,213</u>
Diluted earnings per share (express in New Taiwan Dollar)	<u>\$ 0.08</u>	<u>0.15</u>	<u>0.17</u>	<u>0.59</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:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employees' Compensation	\$ 2,376	6,027	5,867	20,379
Directors' Remuneration	<u>951</u>	<u>2,411</u>	<u>2,347</u>	<u>8,152</u>
	<u>\$ 3,327</u>	<u>8,438</u>	<u>8,214</u>	<u>28,531</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.

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.

(Continued)

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

(t) Revenue from contract with customers

(i) Disaggregation of revenue

		For the three months ended September 30, 2023					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
	Taiwan	\$ 93,554	58,114	205,099	8,474	4,129	369,370
	America	43,118	111,547	-	68,990	8,605	232,260
	Asia	604,463	229,634	156,316	177,258	12,337	1,180,008
	Europe	104,890	88,779	-	30,225	23,124	247,018
	Other	21,307	16,117	-	746	3,571	41,741
		\$ 867,332	504,191	361,415	285,693	51,766	2,070,397
Major products:							
	Chemicals	\$ 867,332	504,191	361,415	-	-	1,732,938
	Toners	-	-	-	285,693	-	285,693
	Other	-	-	-	-	51,766	51,766
		\$ 867,332	504,191	361,415	285,693	51,766	2,070,397
		For the three months ended September 30, 2022					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
	Taiwan	\$ 98,705	65,062	243,077	8,192	1,468	416,504
	America	71,579	93,149	-	59,645	32,311	256,684
	Asia	585,896	244,300	95,119	242,634	4,209	1,172,158
	Europe	126,463	102,329	-	59,192	21,883	309,867
	Other	20,788	43,375	-	3,348	7,341	74,852
		\$ 903,431	548,215	338,196	373,011	67,212	2,230,065
Major products:							
	Chemicals	\$ 903,431	548,215	338,196	-	-	1,789,842
	Toners	-	-	-	373,011	-	373,011
	Other	-	-	-	-	67,212	67,212
		\$ 903,431	548,215	338,196	373,011	67,212	2,230,065
		For the nine months ended September 30, 2023					
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:							
	Taiwan	\$ 260,652	185,707	509,994	22,645	8,973	987,971
	America	122,628	314,301	-	191,082	39,920	667,931
	Asia	1,623,548	674,617	384,825	506,607	43,512	3,233,109
	Europe	332,475	319,917	-	137,378	81,570	871,340
	Other	66,415	66,683	-	15,878	9,146	158,122
		\$ 2,405,718	1,561,225	894,819	873,590	183,121	5,918,473
Major products:							
	Chemicals	\$ 2,405,718	1,561,225	894,819	-	-	4,861,762
	Toners	-	-	-	873,590	-	873,590
	Other	-	-	-	-	183,121	183,121
		\$ 2,405,718	1,561,225	894,819	873,590	183,121	5,918,473

(Continued)

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

For the nine months ended September 30, 2022						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Total
Primary geographical markets:						
Taiwan	\$ 314,612	229,907	694,246	30,316	6,672	1,275,753
America	185,265	421,377	-	166,660	54,974	828,276
Asia	1,816,696	745,223	296,882	623,165	17,477	3,499,443
Europe	410,333	470,494	-	191,318	79,516	1,151,661
Other	66,309	111,095	-	12,830	20,732	210,966
	<u>\$ 2,793,215</u>	<u>1,978,096</u>	<u>991,128</u>	<u>1,024,289</u>	<u>179,371</u>	<u>6,966,099</u>
Major products:						
Chemicals	\$ 2,793,215	1,978,096	991,128	-	-	5,762,439
Toners	-	-	-	1,024,289	-	1,024,289
Other	-	-	-	-	179,371	179,371
	<u>\$ 2,793,215</u>	<u>1,978,096</u>	<u>991,128</u>	<u>1,024,289</u>	<u>179,371</u>	<u>6,966,099</u>

(ii) Contract balance

	September 30, 2023	December 31, 2022	September 30, 2022
Receivables	\$ 1,848,558	1,601,475	1,852,316
Less: loss allowance	(63,739)	(66,670)	(67,810)
Total	<u>\$ 1,784,819</u>	<u>1,534,805</u>	<u>1,784,506</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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 3,675	1,441	8,767	3,321

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Dividend income	\$ 13,439	8,740	25,439	47,198

(Continued)

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

(iii) Other gains and losses

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Foreign exchange gains net	\$ 37,579	13,345	50,592	46,991
Net gains on financial assets and liabilities at fair value through profit	831	6,624	1,131	12,573
Gains (losses) on disposal of property, plant and equipment	462	(152)	1,162	(2,822)
Losses on disposal of investment accounted for using equity method	-	-	(4,834)	-
Subsidy revenue	1,750	4,511	8,357	12,560
Gains (losses) on disaster	-	(1,036)	6,352	(32,381)
Others	12,217	16,240	34,807	49,355
	<u>\$ 52,839</u>	<u>39,532</u>	<u>97,567</u>	<u>86,276</u>

(iv) Finance costs

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expense	\$ 24,853	19,821	70,415	46,959

(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 nine months ended September 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.

(Continued)

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

(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>
September 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,747,926	1,753,402	1,753,402	-	-	-
Notes payable	30,630	30,630	30,630	-	-	-
Accounts payable	372,372	372,372	372,372	-	-	-
Lease liabilities	266,851	330,534	40,569	35,119	50,860	203,986
Other payable	406,272	406,272	406,272	-	-	-
Payable on equipment	20,799	20,799	20,799	-	-	-
Long-term borrowings (including current portion)	<u>1,070,000</u>	<u>1,113,967</u>	<u>46,103</u>	<u>474,237</u>	<u>593,627</u>	<u>-</u>
	<u>\$ 3,914,850</u>	<u>4,027,976</u>	<u>2,670,147</u>	<u>509,356</u>	<u>644,487</u>	<u>203,986</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>
September 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,074,554	2,077,115	2,077,115	-	-	-
Notes payable	188,479	188,479	188,479	-	-	-
Accounts payable	310,753	310,753	310,753	-	-	-
Lease liabilities	275,813	343,456	40,369	47,951	42,647	212,489
Other payable	434,398	434,399	434,399	-	-	-
Payable on equipment	14,985	14,985	14,985	-	-	-
Long-term borrowings (including current portion)	<u>1,100,000</u>	<u>1,144,495</u>	<u>2,078</u>	<u>57,467</u>	<u>1,084,950</u>	<u>-</u>
	<u>\$ 4,398,982</u>	<u>4,513,682</u>	<u>3,068,178</u>	<u>105,418</u>	<u>1,127,597</u>	<u>212,489</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2023			December 31, 2022			September 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	\$ 43,628	32.27	1,407,865	37,186	30.71	1,141,981	46,895	31.75	1,488,901
JPY	91,994	0.22	20,239	157,597	0.23	36,247	69,811	0.22	15,358
RMB	76,269	4.41	336,347	79,190	4.41	349,229	67,942	4.47	303,701
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	28,325	32.27	914,033	29,063	30.71	892,519	48,746	31.77	1,547,675
JPY	90,944	0.22	20,008	222,009	0.23	51,062	288,058	0.22	63,373
RMB	3,518	4.41	15,515	4,060	4.41	17,903	5,842	4.50	26,113

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 nine months ended September 30, 2023 and 2022, would have changed the profit by \$6,519 thousand and \$1,366 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 nine months ended September 30, 2023 and 2022, foreign exchange losses (including realized and unrealized portions) amounted to \$37,579 thousand, \$13,345 thousand, \$50,592 thousand and \$46,991 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.

(Continued)

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

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 assets 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 \$16,907 thousand and \$19,047 thousand, respectively, for the nine months ended September 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 nine months ended September 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 nine months ended September 30, 2023		For the nine months ended September 30, 2022	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
1% increase	\$ 9,383	68	9,377	40
1% decrease	\$ (9,383)	(68)	(9,377)	(40)

(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:

	September 30, 2023				
	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	\$ 6,815	6,815	-	-	6,815
Derivative financial assets	1,000	-	1,000	-	1,000
Subtotal	7,815	6,815	1,000	-	7,815
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	744,930	744,930	-	-	744,930
Domestic unlisted common shares	193,378	-	-	193,378	193,378
Subtotal	938,308	744,930	-	193,378	938,308

(Continued)

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

	September 30, 2023					
	Carrying amount	Fair value			Total	
		Level 1	Level 2	Level 3		
Financial assets measured at amortized cost						
Cash and cash equivalents	1,248,483	-	-	-	-	
Notes and accounts receivable	1,784,819	-	-	-	-	
Other financial assets	20,977	-	-	-	-	
Subtotal	<u>3,054,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total	<u>\$ 4,000,402</u>	<u>751,745</u>	<u>1,000</u>	<u>193,378</u>	<u>946,123</u>	
Financial liabilities measured at amortized cost						
Bank loans (including current portion)	\$ 2,817,926	-	-	-	-	
Notes and accounts payable	403,002	-	-	-	-	
Lease liabilities	266,851	-	-	-	-	
Other payable	406,272	-	-	-	-	
Payable on equipment	20,799	-	-	-	-	
Total	<u>\$ 3,914,850</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>	
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	<u>\$ 4,004,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

(Continued)

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

	September 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	\$ 4,013	4,013	-	-	4,013
Derivative financial assets	12,443	-	12,443	-	12,443
Subtotal	<u>16,456</u>	<u>4,013</u>	<u>12,443</u>	<u>-</u>	<u>16,456</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	717,859	717,859	-	-	717,859
Domestic unlisted common shares	219,800	-	-	219,800	219,800
Subtotal	<u>937,659</u>	<u>717,859</u>	<u>-</u>	<u>219,800</u>	<u>937,659</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	1,339,736	-	-	-	-
Financial assets at amortized cost	20,000	-	-	-	-
Notes and accounts receivable	1,784,506	-	-	-	-
Other financial assets	82,733	-	-	-	-
Subtotal	<u>3,226,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,181,090</u>	<u>721,872</u>	<u>12,443</u>	<u>219,800</u>	<u>954,115</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 3,174,554	-	-	-	-
Notes and accounts payable	499,232	-	-	-	-
Lease liabilities	275,813	-	-	-	-
Other payable	434,398	-	-	-	-
Payable on equipment	14,985	-	-	-	-
Total	<u>\$ 4,398,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

(Continued)

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

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 listed and monetary 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.
- 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.

(Continued)

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

3) Transfers between Level 1 and Level 2

The Group didn't have any fair value transfer between levels for the nine months ended September 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	(46,666)
Balance on September 30, 2023	\$ 193,378
Balance on January 1, 2022	\$ 79,987
Purchase	33,120
Total gains or losses:	
Recognized in other comprehensive income	106,693
Balance on September 30, 2022	\$ 219,800

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 September 30, 2023 and 2022 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Recognized in other comprehensive income	\$ (31,586)	43,050	(46,666)	106,693

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 – debt investments”.

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.

(Continued)

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

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 companies approach	<ul style="list-style-type: none"> • Price-Book Ratio (as of September 30, 2023, December 31 and September 30, 2022 were 2.78~4.93、2.74~5.70 and 3.02~4.90, respectively) • Market liquidity discount rate (as of September 30, 2023, December 31 and September 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 :

<u>Inputs</u>	<u>Upwards or Downwards</u>	<u>Fair value variation on other comprehensive income</u>					
		<u>Favorable</u>			<u>Unfavorable</u>		
		<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Price-book ratio	5%	9,070	11,443	10,629	(9,070)	(11,443)	(10,629)
Market liquidity discount rate	5%	9,320	11,514	10,278	(9,320)	(11,514)	(10,278)

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.

(Continued)

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

(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		September 30, 2023
			Foreign exchange movement	Others	
Short-term borrowings	\$ 1,665,417	82,074	435	-	1,747,926
Long-term borrowings	1,100,000	(30,000)	-	-	1,070,000
Lease liabilities	269,235	(26,071)	454	23,233	266,851
Total liabilities from financing activities	<u>\$ 3,034,652</u>	<u>26,003</u>	<u>889</u>	<u>23,233</u>	<u>3,084,777</u>

	January 1, 2022	Cash flows	Non-cash changes		September 30, 2022
			Foreign exchange movement	Others	
Short-term borrowings	\$ 2,056,402	5,651	12,501	-	2,074,554
Long-term borrowings	1,000,000	100,000	-	-	1,100,000
Lease liabilities	271,607	(25,645)	1,638	28,213	275,813
Total liabilities from financing activities	<u>\$ 3,328,009</u>	<u>80,006</u>	<u>14,139</u>	<u>28,213</u>	<u>3,450,367</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 September 30		For the nine months ended September 30	
	2023	2022	2023	2022
CHCIW	<u>\$ 6,956</u>	<u>7,696</u>	<u>20,584</u>	<u>30,083</u>

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.

(ii) Payables to related parties

Account	Name of related party	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts payable	CHCIW	<u>\$ 9,763</u>	<u>14,467</u>	<u>12,509</u>

(Continued)

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

(iii) Dividend

The amount of dividends paid by the Company to related parties were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
EIC	\$ 17,150	21,500	17,150	21,500
Chen, Ding-Chuan	20,300	31,500	20,300	31,500
	<u>\$ 37,450</u>	<u>53,000</u>	<u>37,450</u>	<u>53,000</u>

(c) Key management personnel compensation

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 6,904	7,099	21,760	21,415
Post-employment benefits	122	121	366	371
	<u>\$ 7,026</u>	<u>7,220</u>	<u>22,126</u>	<u>21,786</u>

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>September 30, 2022</u>
Accounts receivable	Short-term borrowings	\$ 112,292
Inventories	Short-term borrowings	9,525
		<u>\$ 121,817</u>

There was no such transaction for the nine months ended September 30, 2023 and the year ended December 31, 2022.

(9) Commitments and contingencies

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Acquisition of property, plant and equipment	\$ <u>393,082</u>	<u>172,495</u>	<u>201,020</u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Outstanding standby letter of credit	\$ <u>19,668</u>	<u>-</u>	<u>-</u>

(Continued)

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

(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 recognized the claim receivable for \$34,000 thousand, as a deduction in other gains and losses. At September 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 in other gains and losses.

(11) Subsequent Events: None.

(12) Other

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

By item	By function	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		176,522	149,500	326,022	185,063	154,527	339,590
Labor and health insurance		18,041	16,044	34,085	17,517	16,113	33,630
Pension		10,282	8,533	18,815	10,296	8,534	18,830
Remuneration of directors		-	951	951	-	2,411	2,411
Others		7,132	5,122	12,254	9,607	4,339	13,946
Depreciation (note)		121,597	29,079	150,676	124,176	32,904	157,080
Amortization		1,264	10,515	11,779	444	7,433	7,877

By item	By function	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		531,712	440,337	972,049	561,765	462,338	1,024,103
Labor and health insurance		55,202	48,107	103,309	53,251	47,717	100,968
Pension		31,570	25,484	57,054	30,520	25,739	56,259
Remuneration of directors		-	2,347	2,347	-	8,152	8,152
Others		20,121	17,578	37,699	25,788	14,214	40,002
Depreciation (note)		362,911	87,256	450,167	383,610	97,383	480,993
Amortization		3,843	34,229	38,072	1,439	24,578	26,017

Note: For the three months and the nine months ended September 30, 2023 and 2022, depreciation expenses recognized were \$150,676 thousand, \$157,080 thousand, \$450,167 thousand and \$481,077 thousand, respectively, less deferred gains of \$0 thousand, \$0 thousand, \$0 thousand and \$84 thousand, respectively.

(b) Seasonality of operations:

The Group's operations over not affected by seasonality or cyclicity factors.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 nine months ended September 30, 2012

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	835,316	64,540	64,540	-	-	0.77%	2,088,291	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 requirements.
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.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3. Securities held as of September 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	
GLTP	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	399	6,815	-	6,815	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	8,000	445,247	9%	433,600	
"	Chemical Industrial Works, LTD	The entity's chairman is the director of the Company	"	5,500	92,217	5%	160,600	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	74,472	
"	Andros Pharmaceuticals Co., Ltd.	-	"	4,724	103,120	14%	170,820	
GLTP	QISDA Corp.	-	"	40	1,296	-	1,786	
"	Andros Pharmaceuticals Co., Ltd.	-	"	260	7,800	1%	9,401	
"	Taiwan Bio Therapeutics Co., Ltd.	-	"	414	11,400	1%	13,157	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	74,472	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		127,428		-	
	Total				938,308		938,308	

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\$100 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	297,249	5.02%	OA 90	Non material differences from those of third-parties	Non material differences from those of third-parties	57,509	3.22%	Note
"	EVUS	"	"	257,718	4.35%	OA 100	"	"	108,014	6.05%	Note
"	ELITE	"	"	218,783	3.70%	OA 100	"	"	70,986	3.98%	Note
"	ADSH	"	"	141,543	2.39%	OA 120	"	"	110,397	6.19%	Note
"	EVSZ	"	"	117,384	1.98%	OA 90	"	"	46,237	2.59%	Note
"	EVSH	"	"	105,968	1.79%	OA 90	"	"	47,846	2.68%	Note

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

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

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 Nov 9, 2023)	Loss allowance
					Amount	Action taken		
ECIC	ADSH	Subsidiary	110,397	1.87	-	-	11,086	-
"	EVUS	"	108,014	3.16	-	-	37,904	-

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	297,249	No material differences from those of third parties	5.02%
0	"	EVUS	1	"	257,718	"	4.35%
0	"	ELITE	1	"	218,783	"	3.70%
0	"	ADSH	1	"	141,543	"	2.39%
0	"	EVSZ	1	"	117,384	"	1.98%
0	"	EVSH	1	"	105,968	"	1.79%
0	"	ETSH	1	"	96,214	"	1.63%
1	TTI	EVUS	2	"	92,803	"	1.57%
1	"	EVSZ	2	"	83,671	"	1.41%

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
Notes to Consolidated Financial Statements

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

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

Units in Thousands

Reports by Securities Issuers	Name of investee	Location	Main businesses and products	Original investment amount		Balance of September 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	159,427	2,575	2,575	(Note 1)
"	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	42,545	1,116	1,116	(Note 1)
"	EVSG	Singapore	Investing business	794,290	794,290	24,800	100.00%	913,548	(47,300)	(47,300)	(Note 1)
"	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	59,687	(1,093)	(1,093)	(Note 1)
"	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	654,305	24,493	18,988	(Note 1)
"	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	105,199	(456)	(228)	(Note 1)
"	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,458	(443)	(85)	
"	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	4,856	16.78%	36,582	(41,518)	(6,327)	
"	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	31,897	19	19	(Note 1)
	Unrealized gross profit on sales			-	-			(53,062)		-	
				1,390,435	1,390,435			1,970,586		(32,335)	
EVSG	EVVN	Vietnam	Selling chemical product and related raw materials	12,140	12,140	-	100.00%	9,254	(2,833)	(2,833)	(Note 1)

Note 1: The amounts of the transactions and the ending balance had been eliminated in the consolidated financial statements.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(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

Reports by Securities Issuers	Main businesses and products	Total amount of paid-in capital		Method of investment	Investment flows		Accumulated outflow of investment from Taiwan as of September 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 6 and 7)	54,859	(Note 1)	700	22,589			700	22,589	1,717	100.00%	1,717	158,795	2,961	95,551
ETGZ (Note 8)	Selling chemical product and related raw materials	USD	700 (Note 6)	22,589	(Note 1)	200	6,454			200	6,454	2,055	100.00%	2,055	98,683	1,523	49,147
EVSH (Note 8)	Selling chemical product and related raw materials	USD	1,250 (Note 6)	40,338	(Note 1)	1,100	35,497			1,100	35,497	3,840	100.00%	3,840	152,205	950	30,657
EVSZ (Note 8)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	USD	23,650 (Note 4)	763,186	(Note 1)	18,600	600,222			18,600	600,222	(45,791)	100.00%	(45,791)	805,606	-	-
ANDA	Selling electronic high tech chemical product	RMB	15,013 (Note 4)	66,282	(Note 1)	650	20,976			650	20,976	(6,157)	29.80%	(1,835)	6,613	-	-
ADSH (Note 8)	Selling electronic high tech chemical product	RMB	1,000 (Note 5)	4,415	(Note 5)	-	-			-	-	4,803	56.25%	2,702	6,588	-	-
3ESZ	Manufacturing and selling chemical product and related raw materials	USD	6,600 (Note 4)	212,982		2,490	80,352			2,490	80,352	13,548	40.00%	5,419	73,704	-	-

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 (1:32.27), NTD vs RMB (1:4.415) . 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 the reorganized structure, ADSH is reinvested directly by EVSG.

Note 6: EVSZ invested in ETSH 1,700 thousand USD, ETGZ 700 USD thousand and EVSH 1,250 thousand USD 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 September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
820,852 (USD 25,437)	746,921 (USD 23,146)	5,201,249

As of September 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 nine months ended September 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.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Major shareholders :

(In Shares)

Shareholding Shareholder's Name	Shares	Percentage
ETHICAL INVESTMENT CORPORATION	55,000,000	10.04%
CHEN,DING-CHUAN	53,000,000	9.67%

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

(14) Segment information

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

	For the three months ended September 30, 2023							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 867,332	504,191	361,415	285,693	51,766	-	-	2,070,397
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 867,332</u>	<u>504,191</u>	<u>361,415</u>	<u>285,693</u>	<u>51,766</u>	<u>-</u>	<u>-</u>	<u>2,070,397</u>
Reportable segment profit (loss)	<u>\$ 31,744</u>	<u>27,666</u>	<u>37,043</u>	<u>(16,318)</u>	<u>(37,652)</u>	<u>14,190</u>	<u>-</u>	<u>56,673</u>

	For the three months ended September 30, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 903,431	548,215	338,196	373,011	67,212	-	-	2,230,065
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 903,431</u>	<u>548,215</u>	<u>338,196</u>	<u>373,011</u>	<u>67,212</u>	<u>-</u>	<u>-</u>	<u>2,230,065</u>
Reportable segment profit (loss)	<u>\$ 30,974</u>	<u>32,271</u>	<u>21,568</u>	<u>28,939</u>	<u>(5,488)</u>	<u>8,453</u>	<u>-</u>	<u>116,717</u>

	For the nine months ended September 30, 2023							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 2,405,718	1,561,225	894,819	873,590	183,121	-	-	5,918,473
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 2,405,718</u>	<u>1,561,225</u>	<u>894,819</u>	<u>873,590</u>	<u>183,121</u>	<u>-</u>	<u>-</u>	<u>5,918,473</u>
Reportable segment profit (loss)	<u>\$ 20,990</u>	<u>112,865</u>	<u>75,783</u>	<u>(14,219)</u>	<u>(93,430)</u>	<u>20,774</u>	<u>-</u>	<u>122,763</u>

	For the nine months ended September 30, 2022							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals	Others	Reconciliation and elimination	Total
Revenue from external customers	\$ 2,793,215	1,978,096	991,128	1,024,289	179,371	-	-	6,966,099
Intersegment revenue	-	-	-	-	-	-	-	-
Total revenue	<u>\$ 2,793,215</u>	<u>1,978,096</u>	<u>991,128</u>	<u>1,024,289</u>	<u>179,371</u>	<u>-</u>	<u>-</u>	<u>6,966,099</u>
Reportable segment profit (loss)	<u>\$ 181,174</u>	<u>151,008</u>	<u>76,191</u>	<u>33,073</u>	<u>(79,027)</u>	<u>58,895</u>	<u>-</u>	<u>421,314</u>