Stock Code:1708

SESODA CORPORATION

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: 23F., No. 99, Sec. 2, Dunhua S. Rd., Da’an Dist., Taipei City 106, Taiwan
Telephone: +886-2-2704-7272

The independent auditors’ report and the accompanying parent company only 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’ report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page

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' Report

To the Board of Directors of SESODA CORPORATION:

Opinion

We have audited the financial statements of SESODA CORPORATION ("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Please refer to note 4(m) and note 6(n) for disclosures related to revenue recognition.

   Description of key audit matter:

   Revenue is the key indicator used by investors and management while evaluating the Company's finance and operating performance. In addition, since the Company is a listed company, there are risks of material misstatement due to revenue recognition. The accuracy of the timing and amount of revenue recognized have a significant impact on the financial statements. Therefore, we consider it as one of our key audit matters.

How the matter was addressed in our audit:

- Testing the effectiveness of design and implementing the internal control of sales and collecting cycle;
- Reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment key judgment and estimation are appropriate;
- Analyzing the changes in the top 10 customers from the previous year to the most recent period, as well as the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements;
- Selecting sales transactions from a period of time before and after the balance sheet date, and verifying the vouchers to determine the accuracy of the timing and amounts of revenue recognized;
- Understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Po-Shu Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 27, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only 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 auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

SESODA CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets :				
1100	Cash and cash equivalents (note 6(a))	$ 482,598	5	360,847	4
1150	Notes receivable, net (note 6(c))	121,350	1	138,875	2
1170	Accounts receivable, net (note 6(c))	683,141	7	532,555	7
1210	Other receivables from related parties (note 7)	13,728	-	11,451	-
130X	Inventories (note 6(d))	1,385,837	13	649,215	8
1476	Other current financial assets	50,622	-	40,767	-
1470	Other current assets	68,280	1	49,295	-
	Total current assets	2,805,556	27	1,783,005	21
	Non-current assets :				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	77,764	1	115,630	2
1550	Investments accounted for using equity method (note 6(e))	5,077,338	50	4,345,362	52
1600	Property, plant and equipment (notes 6(f), 8 and 9)	2,259,962	22	2,047,051	25
1755	Right-of-use assets (note 6(g))	7,280	-	11,856	-
1840	Deferred tax assets (note 6(k))	47,872	-	248	-
1975	Net defined benefit asset (note 6(j))	41,903	-	23,710	-
1995	Other non-current assets, others (note 9)	11,729	-	7,543	-
	Total non-current assets	7,523,848	73	6,551,400	79
	Total assets	$ 10,329,404	100	8,334,405	100

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities :				
2100	Short-term borrowings (notes 6(h) and 8)	$ 1,250,000	12	1,020,000	12
2170	Accounts payable	644,895	7	392,771	5
2200	Other payables (note 6(o))	295,474	3	245,786	3
2220	Other payables to related parties (note 7)	3,664	-	3,757	-
2230	Current tax liabilities	214,975	2	77,002	1
2280	Lease liabilities-current (note 6(i))	4,694	-	5,838	-
2399	Other current liabilities	3,748	-	5,920	-
	Total current liabilities	2,417,450	24	1,751,074	21
	Non-Current liabilities :				
2570	Deferred tax liabilities (note 6(k))	744,360	7	510,460	6
2580	Lease liabilities-non-current (note 6(i))	2,616	-	6,046	-
2650	Credit balance of investments accounted for using equity method (note 6(e))	33,690	-	33,718	1
	Total non-current liabilities	780,666	7	550,224	7
	Total liabilities	3,198,116	31	2,301,298	28
	Equity (notes 6(b), (e), (j), (k) and (l)):				
3100	Common stock	2,490,017	24	2,490,017	30
3200	Capital surplus	104,740	1	103,111	1
	Retained earnings :				
3310	Legal reserve	1,050,888	10	984,015	12
3320	Special reserve	485,496	5	258,877	3
3350	Unappropriated retained earnings	3,107,766	30	2,682,592	32
		4,644,150	45	3,925,484	47
	Other equity interest :				
3410	Exchange differences on translation of foreign financial statements	84,420	1	(344,110)	(4)
3420	Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	(192,039)	(2)	(141,395)	(2)
		(107,619)	(1)	(485,505)	(6)
	Total equity	7,131,288	69	6,033,107	72
	Total liabilities and equity	$ 10,329,404	100	8,334,405	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SESODA CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4110	**Operating revenue (note 6(n))**	$ 5,310,423	100	3,032,839	100
5111	**Operating cost (notes 6(d), (f) and (j))**	3,701,701	70	2,068,152	68
	Gross profit from operations	1,608,722	30	964,687	32
6000	**Operating expenses (notes (c), (f), (g), (i), (j), (o) and 7):**				
6100	Selling expenses	481,809	9	418,306	14
6200	Administrative expenses	302,468	6	171,212	6
6450	Expected credit loss	80,851	1	-	-
	Total operating expenses	865,128	16	589,518	20
6900	**Net operating income**	743,594	14	375,169	12
7000	**Non-operating income and expenses(notes 6(e), (f), (i), (p) and 7):**				
7100	Interest income	2,090	-	86	-
7010	Other income	5,980	-	9,713	-
7020	Other gains and losses	102,369	2	18,396	1
7050	Finance costs	(13,892)	-	(6,625)	-
7060	Share of gains of subsidiaries and associates accounted for using equity method	760,763	14	421,878	14
	Total non-operating income and expenses	857,310	16	443,448	15
7900	**Income before tax**	1,600,904	30	818,617	27
7950	**Less: Income tax expenses (note 6(k))**	396,482	7	147,746	5
	Net income	1,204,422	23	670,871	22
8300	**Other comprehensive income (notes 6(e), (j), (k) and (l)):**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit plans	13,370	-	(7,674)	-
8316	Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	(36,541)	(1)	(121,249)	(4)
8330	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(12,552)	-	85	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	2,674	-	(1,535)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(38,397)	(1)	(127,303)	(4)
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	428,530	8	(101,568)	(3)
8380	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	110	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	428,530	8	(101,458)	(3)
8300	**Other comprehensive income**	390,133	7	(228,761)	(7)
8500	**Total comprehensive income**	**$ 1,594,555**	**30**	**442,110**	**15**
9750	**Basic earnings per share (note 6(m)) (expressed in New Taiwan Dollars)**	**$**	**4.84**		**2.69**
9850	**Diluted earnings per share (note 6(m)) (expressed in New Taiwan Dollars)**	**$**	**4.78**		**2.68**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SESODA CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total retained earnings	Total other equity interest: Exchange differences on translation of foreign financial statements	Total other equity interest: Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total other equity interest: Total other equity interest	Total equity
Balance at January 1, 2021	$ 2,284,419	102,594	966,494	163,741	2,537,958	3,668,193	(242,652)	(16,477)	(259,129)	5,796,077
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	17,521	-	(17,521)	-	-	-	-	-
Special reserve	-	-	-	95,388	(95,388)	-	-	-	-	-
Cash dividends	-	-	-	-	(205,597)	(205,597)	-	-	-	(205,597)
Stock dividends	205,598	-	-	-	(205,598)	(205,598)	-	-	-	-
Reversal of special reserve	-	-	-	(252)	252	-	-	-	-	-
Net income	-	-	-	-	670,871	670,871	-	-	-	670,871
Other comprehensive income	-	-	-	-	(6,054)	(6,054)	(101,458)	(121,249)	(222,707)	(228,761)
Total comprehensive income	-	-	-	-	664,817	664,817	(101,458)	(121,249)	(222,707)	442,110
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	3,669	3,669	-	(3,669)	(3,669)	-
Changes in capital surplus	-	517	-	-	-	-	-	-	-	517
Balance at December 31, 2021	2,490,017	103,111	984,015	258,877	2,682,592	3,925,484	(344,110)	(141,395)	(485,505)	6,033,107
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	66,873	-	(66,873)	-	-	-	-	-
Special reserve	-	-	-	226,628	(226,628)	-	-	-	-	-
Cash dividends	-	-	-	-	(498,003)	(498,003)	-	-	-	(498,003)
Reversal of special reserve	-	-	-	(9)	9	-	-	-	-	-
Net income	-	-	-	-	1,204,422	1,204,422	-	-	-	1,204,422
Other comprehensive income	-	-	-	-	11,064	11,064	428,530	(49,461)	379,069	390,133
Total comprehensive income	-	-	-	-	1,215,486	1,215,486	428,530	(49,461)	379,069	1,594,555
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	974	974	-	(974)	(974)	-
Changes in associates accounted for using equity method	-	-	-	-	209	209	-	(209)	(209)	-
Changes in capital surplus	-	1,629	-	-	-	-	-	-	-	1,629
Balance at December 31, 2022	**$ 2,490,017**	**104,740**	**1,050,888**	**485,496**	**3,107,766**	**4,644,150**	**84,420**	**(192,039)**	**(107,619)**	**7,131,288**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SESODA CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,600,904	818,617
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	92,101	90,188
Expected credit loss	80,851	-
Interest expense	13,892	6,625
Interest income	(2,090)	(86)
Dividend income	(5,930)	(9,701)
Share of profit of subsidiaries and associates accounted for using equity method	(760,763)	(421,878)
Gain on disposal of property, plant and equipment	(36)	(1,255)
Property, plant and equipment transferred to expenses	43,904	15,375
Gain on lease modification	(116)	-
Others	-	(2,123)
Total adjustments to reconcile profit (loss)	(538,187)	(322,855)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	17,525	(58,926)
Increase in accounts receivable	(231,437)	(179,072)
Decrease (increase) in other receivables from related parties	(2,277)	2,510
Increase in inventories	(738,476)	(337,706)
Decrease (increase) in other current assets	(18,437)	9,563
Increase in other current financial assets	(9,809)	(24,279)
Increase in net defined benefit assets	(4,823)	(4,875)
Increase in accounts payable	252,124	123,552
Increase in other payables	61,996	107,721
Increase (decrease) in other payables to related parties	(93)	55
Increase (decrease) in other current liabilities	(2,172)	1,834
Total changes in operating assets and liabilities	(675,879)	(359,623)
Cash inflow generated from operations	386,838	136,139
Interest received	1,913	99
Dividends received	14,370	24,933
Interest paid	(15,257)	(7,187)
Income taxes paid	(75,455)	(5,366)
Net cash flows from operating activities	312,409	148,618
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(63,892)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,546	4,417
Acquisition of investments accounted for using equity method	(35,000)	(127,450)
Proceeds from disposal of investments accounted for using equity method	2,639	-
Decrease in prepayments for investments	468,568	-
Acquisition of property, plant and equipment	(353,315)	(140,863)
Proceeds from disposal of property, plant and equipment	1,728	5,863
Increase in refundable deposits	(4,775)	(1,000)
Net cash from (used in) investing activities	81,391	(322,925)
Cash flows from (used in) financing activities:		
Increase in short-term loans	5,617,200	3,810,000
Decrease in short-term loans	(5,387,200)	(3,410,000)
Decrease in guarantee deposits received	-	(242)
Payment of lease liabilities	(5,675)	(5,858)
Cash dividends paid	(498,003)	(205,597)
Other financing activities	1,629	517
Net cash flows from (used in) financing activities	(272,049)	188,820
Net increase in cash and cash equivalents	121,751	14,513
Cash and cash equivalents at beginning of period	360,847	346,334
Cash and cash equivalents at end of period	**$ 482,598**	**360,847**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SESODA CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

SESODA CORPORATION, formerly called SOUTH EAST SODA MANUFACTURING CO., LTD., (hereinafter referred to as the "Company") was incorporated on March 2, 1957 as a corporation limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities of the Company are the manufacturing and sales of pure soda ash, sodium bicarbonate, hydrochloric acid, ammonium bicarbonate power and potassium sulfate.

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

These financial statements were authorized for issue by the Board of Directors as of March 27, 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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- 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"

(Continued)

SESODA CORPORATION

Notes to the Financial Statements

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

The Company 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 financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

The parent company financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The net defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(n).

(ii) Functional and presentation currency

The functional currency of Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rates of the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such monetary items that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

SESODA CORPORATION
Notes to the Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial assets

Accounts receivable is initially recognized when it is originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) –equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

· Cash in bank, other receivable, other financial assets and refundable deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company holds time deposits for domestic financial institutions, it is considered to be low credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is ‘credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities

1) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

SESODA CORPORATION

Notes to the Financial Statements

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent company only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent company only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent company only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis. The Company also recognized its shares in the changes in its equity of subsidiaries.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

The Company loses control of a subsidiary, the retained investment of the former subsidiary shall be remeasured at the fair value on the date of loss of control. Disposal profit and loss is the difference between the following : (1) the total of the fair value of the company received and the fair value of the retained investment in the subsidiary at the date of loss of control (2) The total book value of the subsidiary's assets (including the goodwill) and liabilities and non-controlling interests on the date of loss of control. For all amounts previously recognized in other comprehensive income and related to the subsidiary, the basis of accounting treatment is the same as the basis that the company must follow if the company directly disposes of related assets or liabilities.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	5～50 years
2)	Machinery and equipment	5～15 years
3)	Transportation equipment	3～5 years
4)	Other equipment	2～15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the assessment on whether it will have the option to exercise a purchase; or
- there is a change in the assessment on lease term as to whether it will be extended or terminated; or
- there is any lease modifications

(Continued)

SESODA CORPORATION

Notes to the Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and net defined benefit assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

An impairment loss is recognized in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as expense as the related services is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to common shareholders of the Company. Basic earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee compensation.

SESODA CORPORATION

Notes to the Financial Statements

(q) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

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

The preparation of the parent company only financial statements in conformity with the Regulations 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. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

(a) Judgment of whether the Company has substantive control over its investees

As of December 31, 2022 and 2021, the Company holds both 34.89% of the outstanding voting shares of EAST TENDER OPTOELECTRONICS CORPORATION (EOC), and is the single largest shareholder of the investee. Although the remaining shares are not concentrated within specific shareholders, the Company still failed to obtain more than half of the total number of directors' seats of EOC, and it also failed to obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Company only has significant influence but not control over EOC.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of accounts receivable

The Company has estimated the loss allowance of accounts receivable based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the expected credit loss rate to be used in calculating the impairments. However, in the face of future economic trends, the Company may cause changes in the expected credit loss rate, and may cause losses in the future or reverse the recognized credit losses. The allowance loss for accounts receivable please refer to note 6(c).

SESODA CORPORATION

Notes to the Financial Statements

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The valuation of inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. The further description of the valuation of inventories, please refer to note 6(d).

(c) Impairment of investments accounted for using equity method

The assessment of impairment of investments accounted for using equity method requires the Company to make subjective judgments to identify the cash-generating units and estimate the future cash flow and useful life of its related assets. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Please refer to note 6(e) for further description.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty Cash	$ 380	380
Demand deposits	204,828	359,467
Time deposits	277,390	1,000
Cash and cash equivalents	**$ 482,598**	**360,847**

(b) Financial assets at fair value through other comprehensive income-non-current

	December 31, 2022	December 31, 2021
Foreign unlisted companies' stocks	**$ 77,764**	**115,630**

(i) Equity instruments at fair value through other comprehensive income

The Company held equity securities for long-term strategic purposes (and not for trading purposes) which have been designated as measured at fair value through other comprehensive income.

In 2022, due to the disposal of StemCyte International, Ltd., the Company received the amounts of $1,325 in cash, resulting in the gain of $974 to be reclassified from other equity to retained earnings.

In June 2021, the Company injected the capital to Qingdao Soda Ash Industrial Potassic Fertilizer Technology Co., Ltd. of CNY15,000 thousand.

SESODA CORPORATION

Notes to the Financial Statements

Due to the disposal of both Pushi Venture Capital Co., Ltd. and Puxun Venture Capital Co., Ltd. in 2021, the Company received the amounts of $221 and $4,417 in cash, as of December 31, 2022 and 2021, respectively, resulting in the gain of $3,669 to be reclassified from other equity to retained earnings in 2021.

(ii) For market risk, please refer to note 6(q).

(iii) The aforementioned financial assets were not pledged.

(c) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	$ 121,350	138,875
Accounts receivable–measured as amortized cost	771,605	543,858
Less: Loss allowance	(88,464)	(11,303)
Subtotals	683,141	532,555
Total	**$ 804,491**	**671,430**

The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision was determined as follows:

	December 31, 2022		
	Gross carrying amount	**Weighted-average expected credit loss rate**	**Loss allowance provision**
Current	$ 775,623	1.35 %	10,444
1 to 30 days past due	31,912	9.15 %	2,919
31 to 60 days past due	24,885	58.53 %	14,566
61 to 90 days past due	7,396	100.00 %	7,396
More than 90 days past due	53,139	100.00%	53,139
	$ 892,955		**88,464**

	December 31, 2021		
	Gross carrying amount	**Weighted-average expected credit loss rate**	**Loss allowance provision**
Current	$ 621,050	0.39 %	2,422
1 to 30 days past due	45,097	2.53 %	1,141
31 to 60 days past due	8,565	7.60 %	651
61 to 90 days past due	4,062	74.22 %	3,015
More than 90 days past due	3,959	100.00 %	3,959
	$ 682,733		**11,188**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

There was no material difference between the Company's allowance loss and expected credit loss at the reporting date.

The movements in the Company's notes and accounts receivable allowance losses were as follows:

	For the years ended December 31, 2022	2021
Balance at January 1, 2022	$ 11,303	11,303
Impairment losses recognized	80,851	-
Amounts written off	(3,690)	-
Balance at December 31, 2022	$ 88,464	11,303

As of December 31, 2022 and 2021, the notes and accounts receivable were not discounted and pledged. For other credit risk, please refer to note 6(q).

(d) Inventories

	December 31, 2022	December 31, 2021
Merchandise	$ 267,066	94,369
Finished goods	504,816	183,303
Raw materials	593,348	349,524
Fuel	6,138	4,831
Supplies	14,469	17,188
	$ 1,385,837	649,215

Except for operating costs arising from the ordinary sale of inventories, other gains or losses directly recorded under operating cost were as follows:

	2022	2021
Unallocated overheads	$ 11,718	3,077
Loss (gain) on valuation of inventories	163,703	(24)
Loss (gain) on inventories count	(31)	98
	$ 175,390	3,151

As of December 31, 2022 and 2021, the inventories were not pledged.

(e) Investments accounted for using the equity method

A summary of the Company's financial information for investments accounted for using the equity method (including prepayments for investments) at the reporting date was as follows:

	December 31, 2022	December 31, 2021
Investments accounted for using equity method:		
Subsidiaries	$ 4,786,631	3,881,027
Associates	290,707	464,335
Total	$ 5,077,338	4,345,362

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

		December 31, 2022	December 31, 2021
Credit balance of investments accounted for using equity method:			
Subsidiaries	$	**33,690**	**33,718**

(i) Subsidiaries

Please refer to 2022 and 2021 consolidated financial statements. Besides, there was no impairment recognized of investments using the equity method in 2022 and 2021.

(ii) Associates

			Proportion of shareholding and voting rights	
Name of Associates	**Main business**	**Main operating location**	**December 31, 2022**	**December 31, 2021**
EOC	Manufacturing of DWDM filter components required for Optical communication	Yilan	34.89 %	34.89 %

		December 31, 2022	December 31, 2021
Fair value	$	**292,532**	**463,952**

The financial information of EOC was as follows:

		December 31, 2022	December 31, 2021
Current assets	$	306,676	428,981
Non-current assets		688,750	791,312
Current liabilities		(68,641)	(119,431)
Non-current liabilities		(127,322)	(93,440)
Net assets	$	**799,463**	**1,007,422**
Net assets attributable to the Company	$	**290,707**	**464,335**

		2022	2021
Operating revenue	$	**170,177**	**202,812**
Profit from continuing operations	$	(22,278)	8,243
Other comprehensive income		(628)	334
Total comprehensive income	$	**(22,906)**	**8,577**
Comprehensive income attributable to the Company	$	**(11,026)**	**(41)**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

	2022	2021
Share of net assets of associates as of January 1	$ 464,335	498,351
Comprehensive income attributable to the Company	(11,026)	(41)
Dividends received from associates	(6,987)	(13,975)
Impairment loss	(155,615)	(20,000)
Share of net assets of associates as of December 31	**$ 290,707**	**464,335**

The aforementioned impairment loss recognized as the book value of the Company's investment in EOC was lowered than the recoverable value (fair value).

(iii) The Company did not provide any investment accounted for using the equity method as collateral.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost:							
Balance on January 1, 2022	$ 1,204,924	735,366	1,506,614	16,352	214,527	108,049	3,785,832
Additions	-	200	2,409	-	118,674	221,677	342,960
Disposal	-	-	(4,847)	-	(8,185)	-	(13,032)
Reclassification	-	6,570	46,457	-	(105,041)	9,965	(42,049)
Balance on December 31, 2022	**$ 1,204,924**	**742,136**	**1,550,633**	**16,352**	**219,975**	**339,691**	**4,073,711**
Balance on January 1, 2021	$ 1,205,356	703,700	1,391,096	25,766	140,050	171,686	3,637,654
Additions	-	-	603	-	68,017	105,157	173,777
Disposal	(432)	-	-	(9,414)	(981)	-	(10,827)
Reclassification	-	31,666	114,915	-	7,441	(168,794)	(14,772)
Balance on December 31, 2021	**$ 1,204,924**	**735,366**	**1,506,614**	**16,352**	**214,527**	**108,049**	**3,785,832**
Depreciation and impairments loss:							
Balance on January 1, 2022	$ -	484,422	1,154,358	13,413	86,588	-	1,738,781
Depreciation	-	15,275	59,164	2,136	9,733	-	86,308
Disposal	-	-	(4,847)	-	(6,493)	-	(11,340)
Balance on December 31, 2022	**$ -**	**499,697**	**1,208,675**	**15,549**	**89,828**	**-**	**1,813,749**
Balance on January 1, 2021	$ -	470,386	1,096,272	15,532	80,594	-	1,662,784
Depreciation	-	16,159	58,086	3,119	6,975	-	84,339
Disposal	-	-	-	(5,238)	(981)	-	(6,219)
Others	-	(2,123)	-	-	-	-	(2,123)
Balance on December 31, 2021	**$ -**	**484,422**	**1,154,358**	**13,413**	**86,588**	**-**	**1,738,781**
Carrying amounts:							
Balance on December 31, 2022	**$ 1,204,924**	**242,439**	**341,958**	**803**	**130,147**	**339,691**	**2,259,962**
Balance on January 1, 2021	**$ 1,205,356**	**233,314**	**294,824**	**10,234**	**59,456**	**171,686**	**1,974,870**
Balance on December 31, 2021	**$ 1,204,924**	**250,944**	**352,256**	**2,939**	**127,939**	**108,049**	**2,047,051**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(i) Pledged information

Please refer to note 8 for the pledged and collateral information of the property, plant and equipment.

(ii) For the years ended December 31, 2022 and 2021, the capitalized interest expenses amounted to $2,045 and $692, with interest rates of 0.96%~1.68% and 0.90%, respectively.

(g) Right-of-use assets

The Company leases buildings and transportation equipment. The movements in right-of-use assets were as follows:

		Buildings	Transportation equipment	Total
Cost:				
Balance at January 1, 2022	$	546	14,891	15,437
Additions		546	6,523	7,069
Disposal		(546)	(8,047)	(8,593)
Balance at December 31, 2022	**$**	**546**	**13,367**	**13,913**
Balance at January 1, 2021	$	543	8,252	8,795
Additions		546	14,891	15,437
Disposal		(543)	(8,252)	(8,795)
Balance at December 31, 2021	**$**	**546**	**14,891**	**15,437**
Accumulated depreciation:				
Balance at January 1, 2022	$	409	3,172	3,581
Depreciation		546	5,247	5,793
Disposal		(546)	(2,195)	(2,741)
Balance at December 31, 2022	**$**	**409**	**6,224**	**6,633**
Balance at January 1, 2021	$	407	6,120	6,527
Depreciation		545	5,304	5,849
Disposal		(543)	(8,252)	(8,795)
Balance at January 1, 2021	**$**	**409**	**3,172**	**3,581**
Carrying amounts:				
Balance at December 31, 2022	**$**	**137**	**7,143**	**7,280**
Balance at January 1, 2021	**$**	**136**	**2,132**	**2,268**
Balance at December 31, 2021	**$**	**137**	**11,719**	**11,856**

The Company leases the building as a parking space for the office. The lease period is usually one year; the lease period of the leased transportation equipment is usually one to three years.

SESODA CORPORATION
Notes to the Financial Statements

(h) Short-term borrowings

	December 31, 2022	December 31, 2021
Secured bank loans	$ 690,000	340,000
Unsecured bank loans	560,000	680,000
	$ 1,250,000	**1,020,000**
Unused credit lines	**$ 531,233**	**480,000**
Range of interest rates	**1.33%~2.46%**	**0.42%~1.10%**

For the collateral for short-term borrowings, please refer to note 8.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2022	December 31, 2021
Current	**$ 4,694**	**5,838**
Non-current	**$ 2,616**	**6,046**

For the liquidity analysis, please refer to note 6(q).

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest expenses on lease liabilities	**$ 88**	**83**
Expenses relating to leases of low-value assets	**$ 9,699**	**5,380**

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

	2022	2021
Total cash outflow for leases	**$ 15,462**	**11,321**

(j) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ 114,187	138,427
Fair value of plan assets	(156,090)	(162,137)
Net defined benefit assets	**$ (41,903)**	**(23,710)**

SESODA CORPORATION
Notes to the Financial Statements

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $156,090 as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligation

Movements in the present value of the defined benefit obligations were as follows:

		2022	2021
Defined benefit obligations at January 1	$	138,427	142,658
Current service costs and interest cost		723	1,006
Remeasurements of the net defined benefit asset:			
－Actuarial gains or losses arising from financial assumption		194	9,865
Benefits paid		(25,157)	(15,102)
Defined benefit obligations at December 31	**$**	**114,187**	**138,427**

3) The movements in fair value of the defined benefit plan assets

Movements in the fair value of the plan assets were as follows:

		2022	2021
Fair value of plan assets at January 1	$	162,137	169,167
Interest revenue		796	845
Remeasurements of the net defined benefit asset:			
－Actuarial gains or losses arising from financial assumption		13,564	2,191
Amounts contributed to plan		4,750	5,036
Benefits paid		(25,157)	(15,102)
Fair value of plan assets at December 31	**$**	**156,090**	**162,137**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or losses were as follows:

		2022	2021
Current service costs	$	59	306
Net interest expense of net defined benefit assets		(132)	(145)
	$	**(73)**	**161**

		2022	2021
Operating cost	$	(66)	147
Operating expenses		(7)	14
	$	**(73)**	**161**

5) The remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

The remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

		2022	2021
Balance at the beginning	$	(11,821)	(4,147)
Recognized in the current period		13,370	(7,674)
Balance at the beginning	**$**	**1,549**	**(11,821)**

6) Actuarial assumptions

The principal actuarial assumptions were as follows:

	2022.12.31	2021.12.31
Discount rate	1.500 %	0.500 %
Future salary increasing rate	3.000 %	3.000 %

The Company expects to make contributions of $4,286 to the defined benefit plans in the next year starting from December 31, 2022.

The weighted average duration of the defined benefit plans is 6.62 years.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

7) Sensitivity analysis

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	Influences on defined benefit obligations	
	Increased	**Decreased**
December 31, 2022		
Discount rate decrease (increase) 0.25%	$ 1,435	(1,404)
Future salary increasing rate increase (decrease) 0.25%	1,363	(1,341)
December 31, 2021		
Discount rate decrease (increase) 0.25%	1,896	(1,852)
Future salary increasing rate increase (decrease) 0.25%	1,789	(1,757)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted for the years ended December 31, 2022 and 2021 were as follow:

	2022	**2021**
Operating cost	$ 2,560	2,081
Operating expense	2,064	1,893
Total	**$ 4,624**	**3,974**

(iii) Others

The Company paid and recognized the severance pay for the years ended December 31, 2022 and 2021 as follow:

	2022	**2021**
Operating cost	$ 1,680	-
Operating expense	32	256
Total	**$ 1,712**	**256**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(k) Income taxes

(i) Income tax expense

The amounts of income tax for the years ended December 31, 2022 and 2021 were as follows:

		2022	2021
Current tax expense			
Current period	$	215,753	77,906
Adjustment for prior periods		(2,872)	(8,981)
		212,881	68,925
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		183,601	78,821
Income tax expense from continuing operations	$	**396,482**	**147,746**

The amounts of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

		2022	2021
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement from defined benefit plans	$	**2,674**	**(1,535)**

Reconciliations of income tax expenses and profit before tax for the years ended December 31, 2022 and 2021 were as follows:

		2022	2021
Profit before tax	$	**1,600,904**	**818,617**
Income tax using the Company's domestic tax rate	$	320,181	163,723
The income tax effects on permanent difference		36,812	5,649
Change in unrecognized temporary differences		42,361	(12,645)
Adjustment for prior periods		(2,872)	(8,981)
	$	**396,482**	**147,746**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

		December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	$	**455,012**	**408,343**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

Deferred Tax Assets:

	Refund liability	Unrealized exchange loss	Loss on valuation of inventories	Impairment loss of property, plant and equipment	Expected credit loss	Total
Balance at January 1, 2022	$ -	218	30	-	-	248
Recognized in profit or loss	84	(218)	32,746	-	15,012	47,624
Balance at December 31, 2022	**$ 84**	**-**	**32,776**	**-**	**15,012**	**47,872**
Balance at January 1, 2021	$ 162	332	30	479	-	1,003
Recognized in profit or loss	(162)	(114)	-	(479)	-	(755)
Balance at December 31, 2021	**$ -**	**218**	**30**	**-**	**-**	**248**

Deferred Tax Liability:

	Land value increment tax	Investment income under equity method	Unrealized exchange gain	Defined benefit plans	Total
Balance at January 1, 2022	$ 166,884	338,842	-	4,734	510,460
Recognized in profit or loss	-	229,295	966	965	231,226
Recognized in other comprehensive income	-	-	-	2,674	2,674
Balance at December 31, 2022	**$ 166,884**	**568,137**	**966**	**8,373**	**744,360**
Balance at January 1, 2021	$ 166,990	261,645	-	5,294	433,929
Recognized in profit or loss	(106)	77,197	-	975	78,066
Recognized in other comprehensive income	-	-	-	(1,535)	(1,535)
Balance at December 31, 2021	**$ 166,884**	**338,842**	**-**	**4,734**	**510,460**

(iii) Assessment

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

(l) Capital and other equity

As of December 31, 2022 and 2021, the total number of authorized ordinary shares were both 300,000 thousand shares, with a par value of NTD10 per share, of which, 249,002 thousand shares were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

	Ordinary Shares	
(in thousand shares)	**2022**	**2021**
Balance on January 1	249,002	228,442
Capital increase by stock dividend	-	20,560
Balance on December 31	**249,002**	**249,002**

SESODA CORPORATION

Notes to the Financial Statements

(i) Ordinary shares

A resolution was decided during the general meeting of the shareholders held on July 5, 2021 for a capital increase via stock dividends of 20,560 thousand shares amounting to $205,598, with the base date set on September 4, 2021, which was approved by the FSC. All relevant registration procedures had been completed as of the reporting date.

In 2022, no stock dividends were distributed.

(ii) Capital surplus

The details of capital surplus were as follows:

	December 31, 2022	December 31, 2021
The subsidiaries acquired cash dividend from the Company	$ 4,079	4,079
Gain on the subsidiaries sale of the Company's stock	2,379	2,379
Increase through changes in ownership interests in associates	91,152	91,152
Donation from shareholders	7,130	5,501
	$ 104,740	**103,111**

In accordance with Company Act, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

The Company's Article of Incorporation stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes, of the remaining balance 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's capital; a special reserve should also be set aside in accordance with the relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 1% of the remaining earnings. The Company's appropriations of earnings are decided in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

However, dividends issued in cash may be approved by the Board of Directors with more than two thirds of the directors' attendance, and resolved by more than half of the directors; thereafter, reported in the shareholders' meeting.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

In response to the Company's long-term development needs, the Company's capital structure and long-term financial planning were taken into consideration. Therefore, the Company formulated its dividend policy based on its operating performance and principle of balanced dividend payments. Furthermore, the proportion of cash dividend payment shall be no less than 20% of the current year's dividend, which should all be distributed in cash.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Company applied for exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards endorsed by the FSC. Upon the Company’s initial adoption of the above standards, its unrealized revaluation increments and cumulative translation adjustments under shareholders' equity had been reclassified to retained earnings at the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings, due to the first-time adoption of the IFRSs endorsed by the FSC, shall be reclassified as a special reserve during earnings distribution. However, when the adjusted retained earnings, due to the first-time adoption of the IFRSs endorsed by the FSC, are insufficient for the appropriation of special reserve at the transition date, the Company may appropriate a special reserve equals the amount of increase in retained earnings. Upon the use, disposal, or reclassification of its related assets, the Company may reverse the special reserve proportionately. As of December 31, 2022 and 2021, the special reserve were \$131,649 and \$131,658, respectively.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2022 and 2021, the special reserve were \$353,847 and \$127,219, respectively.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(iv) Earnings distribution

The appropriations of earning for 2021 had been approved in Board of Directors and shareholders' meetings held on March 24, 2022. The appropriations of earning for 2020 had been approved in Board of Directors and shareholders' meetings held on March 29, 2021 and July 5, 2021. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share (Dollars)	**Total amount**	**Amount per share (Dollars)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 2.00	498,003	0.90	205,597
Shares	-	-	0.90	205,598
Total		$ 498,003		411,195

On March 27, 2023, the Company's Board of Directors' meeting resolved to appropriate the 2022 earnings. The earnings were appropriated as follows:

	2022	
	Amount per share (Dollars)	**Total amount**
Dividends distributed to ordinary shareholders:		
Cash	**$ 3.00**	**747,005**

(v) Other equity interests, net of tax

	Exchange differences on translation of foreign financial statements	**Unrealized gains or losses on financial assets at fair value through other comprehensive income**	**Total**
Balance as of January 1, 2022	$ (344,110)	(141,395)	(485,505)
Exchange differences on foreign operations	428,530	-	428,530
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	(49,461)	(49,461)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(974)	(974)
Changes in subsidiaries for using equity method	-	(209)	(209)
Balance as of December 31, 2022	**$ 84,420**	**(192,039)**	**(107,619)**

SESODA CORPORATION
Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2021	$ (242,652)	(16,477)	(259,129)
Exchange differences on foreign operations	(101,568)	-	(101,568)
Exchange differences on associates accounted for using equity method	110	-	110
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	(121,249)	(121,249)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(3,669)	(3,669)
Balance as of December 31, 2021	**$ (344,110)**	**(141,395)**	**(485,505)**

(m) Earnings per share

For the years ended December 31, 2022 and 2021, the Company's earnings per share were calculated as follows:

(i) Basic earnings per share

	2022	2021
Profit belonging to common shareholders	**$ 1,204,422**	**670,871**
Weighted average number of outstanding shares of common stock (in thousand shares)	**249,002**	**249,002**
Basic earnings per share (in NTD)	**$ 4.84**	**2.69**

(ii) Diluted earnings per share

	2022	2021
Profit belonging to common shareholders	**$ 1,204,422**	**670,871**
Weighted average number of outstanding shares of common stock (in thousand shares)	249,002	249,002
Effect on potentially dilutive common stock-employee remuneration (in thousand shares)	2,795	1,250
Weighted average number of common stock (diluted) (in thousand shares)	**251,797**	**250,252**
Diluted earnings per share (in NTD)	**$ 4.78**	**2.68**

SESODA CORPORATION
Notes to the Financial Statements

(n) Revenue from contracts with customers

		2022	2021
Primary geographical markets:			
Taiwan	$	1,861,513	1,305,210
Japan		954,164	371,898
Pera		565,349	93,707
Mozambique		304,768	-
Pakistan		263,385	515,896
Other countries		1,361,244	746,128
Total	$	**5,310,423**	**3,032,839**

The Company was engaged in the sales of chemical products.

(o) Remuneration to employees and directors

In accordance with the articles of incorporation which was amended by shareholders' meeting on May 20, 2022, the Company should contribute 1.2% of special bonus, 4.8% of employee remuneration, and less than 2.5% of directors' remuneration when there is profit for the year. (The original articles of incorporation was to contribute 1% of special bonus, 3.5% of employee remuneration, and less than 2% of directors' remuneration.) However, if the Company has accumulated deficit, the profit should be reserved to offset the deficit.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to $83,982 and $30,643, special bonus amounting to $20,995 and $8,755, and directors' remuneration amounting to $43,741 and $17,511, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the employee remuneration, special bonus and directors' remuneration of each period, multiplied by the percentage of employee remuneration, special bonus and directors' remuneration as specified in the Company's articles. These remunerations and bonuses were expensed under operating expenses for each period. Related information would be available at the Market Observation Post System website. The amounts stated in the parent company only financial statements are identical to those of the actual distributions for 2022 and 2021.

(p) Non operating income and expenses

(i) Interest income

		2022	2021
Interest income from bank deposits	$	**2,090**	**86**

(ii) Other income

		2022	2021
Rental income	$	50	12
Dividend income		5,930	9,701
Total	$	**5,980**	**9,713**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(iii) Other gains and losses

		2022	2021
Foreign exchange gains (losses)	$	81,425	(9,251)
Gains on disposals of property, plant and equipment		36	1,255
Revenue from endorsement guarantee		10,058	11,576
Others		10,850	14,816
Total	**$**	**102,369**	**18,396**

(iv) Finance costs

		2022	2021
Interest expenses – bank loan	$	(13,804)	(6,542)
Interest expenses – lease liabilities		(88)	(83)
Total	**$**	**(13,892)**	**(6,625)**

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

For the year ended December 31, 2022 and 2021, there were 37% and 30% of the Company's account receivable balance were composed of 3 and 6 customers, respectively. In order to reduce the credit risk of accounts receivable, the Company continuously evaluated the financial position of customers, regularly assessed the possibility of collection of accounts receivables and recognized allowance losses. The impairment loss was within the manager's expectations.

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(c).

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 credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

SESODA CORPORATION
Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 year	2-5 year	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Short-term loans	$ 1,250,000	1,259,552	1,259,552	-	-	-
Accounts payable	644,895	644,895	644,895	-	-	-
Other payables	295,474	295,474	295,474	-	-	-
Other payables to related parties	3,664	3,664	3,664	-	-	-
Lease liabilities	7,310	7,372	4,741	2,037	594	-
	$ 2,201,343	**2,210,957**	**2,208,326**	**2,037**	**594**	**-**
December 31, 2021						
Non-derivative financial liabilities						
Short-term loans	$ 1,020,000	1,021,671	1,021,671	-	-	-
Accounts payable	392,771	392,771	392,771	-	-	-
Other payables	245,786	245,786	245,786	-	-	-
Other payables to related parties	3,757	3,757	3,757	-	-	-
Lease liabilities	11,884	12,002	5,920	4,840	1,242	-
	$ 1,674,198	**1,675,987**	**1,669,905**	**4,840**	**1,242**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 26,161	30.71	803,404	18,673	27.68	516,869
Non-monetary items						
CNY	30,000	4.41	132,300	30,000	4.34	130,200
Financial liabilities						
Monetary items						
USD	20,178	30.71	619,666	13,599	27.68	376,420

SESODA CORPORATION
Notes to the Financial Statements

2) Sensitivity analysis

The Company'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 and accounts payable that are denominated in foreign currency. A weakening (strengthening) 1 % of NTD against the USD for the years ended December 31, 2022 and 2021 would have increased (decreased) the net profit before tax by $1,837 and $1,404, respectively. The analysis assumes that all other variables remain constant.

The amount expressed in the functional currency of foreign exchange gains (losses) of the Company's monetary items, including the realized and unrealized portion, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were $81,425 and $(9,251), respectively.

(iv) Interest rate risk

Please refer to the attached note for the liquidity risk and the Company's interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and 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 increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate increases (decreases) by 1%, the Company's net profit before tax would have decreased (increased) by $12,500 and $10,200 for the years ended December 31, 2022 and 2021, respectively, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

(v) Other market price risk

For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2022		2021	
Prices of securities at the reporting date	**Other comprehensive income before tax**	**Income before tax**	**Other comprehensive income before tax**	**Income before tax**
Increasing 1%	$ 778	-	1,156	-
Decreasing 1%	$ 778	-	(1,156)	-

SESODA CORPORATION

Notes to the Financial Statements

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market data and the value measurements which are not reliable. No additional fair value disclosure is required in accordance with the regulations.

	December 31, 2022				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Foreign unlisted companies' stocks	$ 77,764	-	-	77,764	77,764

	December 31, 2021				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Foreign unlisted companies' stocks	$ 115,630	-	-	115,630	115,630

2) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm’s length basis.

Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

When the financial instrument of the Company is not traded in an active market, its fair value is determined as follows:

· Unquoted equity instruments: The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instrument
Balance as of January 1, 2022	$ 115,630
Total gains and losses recognized:	
In other comprehensive income	(37,515)
Disposals	(351)
Balance as of December 31, 2022	**$ 77,764**
Balance as of January 1, 2021	$ 137,068
Total gains and losses recognized:	
In other comprehensive income	(84,362)
Purchased	63,892
Disposals	(968)
Balance as of December 31, 2021	**$ 115,630**

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

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

Most of the Company'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.

SESODA CORPORATION
Notes to the Financial Statements

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparable listed companies approach	·PB ratio (as of December 31, 2022 was 0.5~1.4)) ·EBITDA ratio (as of December 31, 2021 was 17.6) ·Market liquidity discount rate (as of December 31, 2022 and 2021 was both 40%)	·The higher the PB ratio, the higher the fair value ·The higher the EBITDA ratio, the higher the fair value ·The higher the market liquidity discount rate, the lower the fair value

5) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurements in Level 3 of the fair value hierarchy

The fair value measurements of the Company's financial instruments are reasonable. However, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effect on other comprehensive income:

	Inputs	Increase or decrease	Effects on changes in fair value on other comprehensive income: Favorable	Unfavorable
December 31, 2022				
Financial assets at fair value through other comprehensive income	PB ratio	10%	$ 7,776	(7,776)
December 31, 2021				
Financial assets at fair value through other comprehensive income	EBITDA ratio	10%	11,452	(11,452)

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 inter relationships with another input.

(r) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

SESODA CORPORATION

Notes to the Financial Statements

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how the supervision of the management is in compliance with the Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by an internal auditor. An internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

1) Notes and accounts receivable and other receivables

The credit risk exposure of the Company is mainly affected by the individual conditions of each customer.

The management also considers the statistical data of the Company's customer, including the default risk of the customer's industry and country, which may have an impact on credit risk.

There was significant concentration of trading partners of the Company's notes and accounts receivable on December 31, 2022 and December 31, 2021, please refer to the note 6(q).

The Company has established a credit policy. According to this policy, the Company must analyze the credit rating of each new customer individually before granting standard payment and shipping conditions and terms. If the Company can obtain an external rating and in some other cases, the bank's notes will be reviewed. The credit limit, which is regularly reviewed, is established based on individual customers and need to be approved by the Board of Directors.

SESODA CORPORATION
Notes to the Financial Statements

The Company monitors the credit risk of its customers according to their credit characteristics, including whether they are distributors or end users; location, industry, age, expiration date, and previous financial difficulties. The main target of the Company's notes, accounts receivable and other receivables is the Company's dealer customers. Customers who are assessed as high-risk are included in the restricted customer list and monitored by the authorized supervisor. Future sales with these customers must be based on advance receipts.

The Company regularly evaluates the losses incurred in bills, accounts receivable and other receivables. The Company has set up an allowance and impairment loss account to reflect the estimation of the losses incurred in the bills, accounts receivable and other receivables. The main components of the allowance account include specific losses with individual customers and loss estimates measured by expected credit losses during the lifetime.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company expects the counterparties above to meet their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to subsidiaries. Please refer to note 7 for related information.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company calculates its cost of products and services by using the activity-based costing, which assists in monitoring its cash flow requirements and optimizing its cash return on investments. Generally, the Company ensures that it maintains sufficient cash to meet expected operational expenses within 60 days.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

SESODA CORPORATION

Notes to the Financial Statements

The financial assets of the Company with fair value risk of interest rate changes are bank deposits; financial liabilities are long-term and short-term borrowings. The impact of changes in interest rates on the fair value of the relevant financial assets and liabilities is not significant.

(s) Capital management

The Company's policy is to keep a strong capital base in order to maintain its investors, creditors and market confidence, and to sustain future development of its business. Equity consists of common stock, capital surplus, retained earnings and other equity interest of the Company. The Board of Directors monitors the return on its capital as well as the level of dividends to its shareholders.

The Company's debt-to-equity ratio at the end of the reporting period was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 3,198,116	2,301,298
Less: cash and cash equivalents	482,598	360,847
Net debt	**$ 2,715,518**	**1,940,451**
Total equity	**$ 7,131,288**	**6,033,107**
Debt-to-equity ratio	**38.08 %**	**32.16 %**

The increase in debt-to-equity ratio on December 31, 2022 was due to the Company's needs for plant construction, replacement of machinery and equipment, and operating turnover requirements, therefore, the amount of borrowings was increased to cover related expenses. Another reason for the increase in debt-to-equity ratio was due to the earnings growth in 2022 which led an increase in income tax liabilities.

(t) Financing activities not affecting current cash flow

Reconciliations of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 were as follows:

			Non-cash changes			
	January 1, 2022	**Cash flows**	**Foreign exchange movement**	**Acquisition**	**Changes in lease payments**	**December 31, 2022**
Short-term borrowing	$ 1,020,000	230,000	-	-	-	1,250,000
Lease liabilities	11,884	(5,675)	-	7,069	(5,968)	7,310
Total liabilities from financing activities	**$ 1,031,884**	**224,325**	**-**	**7,069**	**(5,968)**	**1,257,310**

			Non-cash changes			
	January 1, 2021	**Cash flows**	**Foreign exchange movement**	**Acquisition**	**Changes in lease payments**	**December 31, 2021**
Short-term borrowing	$ 620,000	400,000	-	-	-	1,020,000
Lease liabilities	2,305	(5,858)	-	15,437	-	11,884
Total liabilities from financing activities	**$ 622,305**	**394,142**	**-**	**15,437**	**-**	**1,031,884**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have transactions with the Company during the periods covered in the financial statements and the Company's subsidiaries.

Name of related party	Relationship with the Company
Sesoda Steamship Corporation (SSC)	Subsidiary
YUKARI GROUP CO., LTD.	Subsidiary
Southeast Marine Globe Corporation (SMGC)	Subsidiary
Southeast Marine Transport Corporation (SMTC)	Subsidiary
SE Bulker Corporation (SEBC)	Subsidiary
SE Marine Corporation (SEMC)	Subsidiary
SE Carrier Corporation (SECC)	Subsidiary
Zai Feng Auto Transportation Co., Ltd.	Subsidiary
SE Delta Corporation (SEDC)	Subsidiary
SE Evermore Corporation (SEEC)	Subsidiary
SE Fortune Corporation (SEFC)	Subsidiary
SE Glory Corporation (SEGC)	Subsidiary
SE Peace Corporation (SEPC)	Subsidiary
SE Royal Corporation (SERC)	Subsidiary
SE Victory Corporation (SEVC)	Subsidiary
YUN-Chen Trading Co., LTD.	Subsidiary (Note 1)
YUN SHENG INVESTMENT CO., LTD.	Subsidiary (Note 2)
Sesoda Social Welfare Foundation	Other related parties (Note 3)

(Note 1): The subsidiary was registered and established on January 28, 2022, and was dissolved on July 21, 2022.

(Note 2): The subsidiary was registered and established on February 23, 2022.

(Note 3): The foundation was established by donation from the Company and was registered and established on May 31, 2022.

(b) Significant transactions with related parties

(i) Shipping expenses

	2022	2021
Subsidiaries	$ 14,859	14,393

SESODA CORPORATION

Notes to the Financial Statements

(ii) Donations

	2022	2021
Sesoda Social Welfare Foundation	$ **11,000**	**-**

(iii) Guarantees

The Company had provided a guarantee for loans as follow:

	December 31, 2022	December 31, 2021
Subsidiaries	$ **4,935,539**	**5,307,663**

The Company charges 0.25%～0.5% guarantee fee to its subsidiaries, where the guarantee revenues amounted to $10,058 and $11,576 for the years ended December 31, 2022 and 2021, respectively.

(iv) Payables to related parties

Account	Relationship	December 31, 2022	December 31, 2021
Other payables to related parties	Subsidiaries	$ **3,664**	**3,757**

(v) Receivables from related parties

Account	Relationship	December 31, 2022	December 31, 2021
Other receivables from related parties	Subsidiaries	$ **13,728**	**11,451**

(c) Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	$ 113,372	71,002
Post-employment benefits	1,338	649
	$ **114,710**	**71,651**

(8) Pledged assets:

Pledged assets	Object	December 31, 2022	December 31, 2021
Property, plant and equipment			
—Land	Guarantees for long-term and short-term borrowing	$ 678,305	678,305
—Buildings	Guarantees for long-term and short-term loans borrowing	57,381	54,985
		$ **735,686**	**733,290**

(Continued)

SESODA CORPORATION
Notes to the Financial Statements

(9) Significant commitments and contingencies:

The Company entered into contracts with domestic and foreign vendors to purchase property, plant and equipment as follows:

	December 31, 2022	December 31, 2021
Total contract amounts	$ 346,599	104,759
Cumulative payments	$ 234,481	85,507

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: please refer to the note 6(l).

(12) Other:

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

By funtion / By item	2022 Operating cost	2022 Operating expense	2022 Total	2021 Operating cost	2021 Operating expense	2021 Total
Employee benefits						
Salary	91,262	153,146	244,408	82,660	82,913	165,573
Labor and health insurance	8,951	5,767	14,718	7,784	4,562	12,346
Pension	4,174	2,089	6,263	2,228	2,163	4,391
Remuneration of directors	-	64,890	64,890	-	40,834	40,834
Others	7,140	4,243	11,383	5,331	2,338	7,669
Depreciation	73,711	18,390	92,101	70,520	19,668	90,188
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	-	-

As of December 31, 2022 and 2021, the additional information for employee numbers and employee benefits was as follows:

	2022	2021
Employee numbers	185	173
Directors numbers without serving concurrently as employee	6	7
Average employee benefits	$ 1,546	1,144
Average employee salaries	$ 1,365	997
Average adjustment rate of employee salaries	36.91 %	
Remuneration received by supervisors	$ -	-

SESODA CORPORATION
Notes to the Financial Statements

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

(i) Remuneration to directors and managers is determined by the Remuneration Committee based on their participation and contribution to the Company's operations, and also with reference to the level of the industry.

(ii) For employee remuneration, the market competitive salary levels, reference to the same industry, the Company’ s overall operating performance, individual performance, and comprehensive contribution considerations are used as a bases for payment principal; and the basic salary of employees depends on their position, responsibility, and competitiveness of their position in the same industry; also, their year-end bonus is distributed based on each year's operating performance, employee contribution, and achievement of their department goal. Furthermore, the employee benefits must first comply with the applicable laws, followed by the regulation requirements of the employees.

(13) Other disclosures:

(a) Information on significant transactions:None

The following were the information on significant transactions required by the Regulations for the Company for the year ended December 31, 2022:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: Please refer to schedule A.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to schedule B.

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

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

SESODA CORPORATION
Notes to the Financial Statements

(b) Information on investees: Please refer to schedule C.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None.

(ii) Limitation on investment in Mainland China: None.

(iii) Significant transactions: None.

(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Zhengbang Investment Co., Ltd.	16,086,588	6.46 %
Chu Ying-Piao	12,650,048	5.08 %

(14) Segment information:

Please refers to 2022 consolidated financial statements.

Schedule A Guarantees and endorsements for other parties:

Nunber (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	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	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	The Company	SSC	2	7,131,288	2,576,700	1,842,600	368,520	-	25.84%	21,393,864	Y	N	N
0	The Company	SMTC	2	7,131,288	138,546	132,053	-	-	1.85%	21,393,864	Y	N	N
0	The Company	SMGC	2	7,131,288	112,770	107,485	-	-	1.51%	21,393,864	Y	N	N
0	The Company	SEBC	2	7,131,288	129,006	83,075	83,075	-	1.16%	21,393,864	Y	N	N
0	The Company	SECC	2	7,131,288	307,672	281,864	281,864	-	3.95%	21,393,864	Y	N	N
0	The Company	SEMC	2	7,131,288	254,821	228,839	228,839	-	3.21%	21,393,864	Y	N	N
0	The Company	SEDC	2	7,131,288	322,844	282,071	282,071	-	3.96%	21,393,864	Y	N	N
0	The Company	SEVC	2	7,131,288	333,387	309,437	309,437	-	4.34%	21,393,864	Y	N	N
0	The Company	SEEC	2	7,131,288	312,922	298,056	298,056	-	4.18%	21,393,864	Y	N	N
0	The Company	SEFC	2	7,131,288	382,285	313,490	313,490	-	4.40%	21,393,864	Y	N	N
0	The Company	SERC	2	7,131,288	345,153	321,167	321,167	-	4.50%	21,393,864	Y	N	N
0	The Company	SEGC	2	7,131,288	384,810	345,795	345,795	-	4.85%	21,393,864	Y	N	N
0	The Company	SEPC	2	7,131,288	419,540	389,607	389,607	-	5.46%	21,393,864	Y	N	N
						4,935,539							

Note 1: Company numbering as follows:
The Company－0

Note 2: Relationship with the Company:
1. For entities the guarantor has business transaction with.
2. For entities in which the guarantor, directly or indirectly, owned more than 50% of their shares.

Note 3: The Company's operating procedures of guarantee were as follows:
The guarantees and endorsements limit provided by The Company to other parties should not exceed 300% of its equity based on the most recent audited or reviewed financial statements by a certified accountant. The individual guarantee amount should not exceed 100% of its equity based on the most recent audited or reviewed financial statements by a certified accountant.

Schedule B Securities held as of December 31, 2022 :

Name of holder	Category and name of security	Relationship with the company	Account title	Ending balance				Remark
				Shares/ Units	Carrying value	Percentage of ownership (%)	Fair value	
	Stock :							
E-TEQ VENTURE CO., LTD.	INTEL CORPORATION	—	Current financial assets at fair value through profit or loss	2,000	1,623	0.00%	1,623	
"	APOGEE Optocom CO., LTD.	—	Non-current financial assets at fair value through other comprehensive income	30,000	1,788	0.07%	1,788	
	Subtotal				3,411		3,411	
	Private Fund:							
E-TEQ VENTURE CO., LTD.	CMIA Digital Growth VII	—	Non-current financial assets at fair value through profit or loss	500	8,908	0.33%	8,908	
	Subtotal				8,908		8,908	
	Open-end Funds:							
SSC	Schroder Asian Emerging Bond Fund Dis USD	—	Non-current financial assets at fair value through profit and loss	10,000	2,688	0.00%	2,688	
"	Yuanta Investment Grade Corporate Bond Fund	—	Non-current financial assets at fair value through profit and loss	5,000	1,527	0.00%	1,527	
	Subtotal				4,215		4,215	
	Stock :							
The company	Qingdao Soda Ash Industrial Potassic Fertilizer Technology Co., Ltd.	—	Non-current financial assets at fair value through other comprehensive income	0	77,764	15.00%	77,764	
	Total				94,298		94,298	

Schedule C Information on investments:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		The ending balance at this period			Net income (losses) of investee	Investment income (losses)	Remark
				The ending balance at this year	The ending balance at the beginning	Shares	Percentage of ownership	Carrying value			
The Company	SSC	Panama	Ship operation and chartering	1,428,232	1,896,792	10	100.00%	4,611,618	934,695	934,695	Subsidiary
"	East Tender Trading Co., Ltd.	Taipei	General trade and investments	38,023	38,023	3,200,000	100.00%	40,061	2,993	2,993	Subsidiary
"	SIL	BVI	Holding company	21,145	21,145	880	50.00%	(33,690)	(62)	(31)	Subsidiary
"	East Tender Optoelectronics Co., Ltd.	Yilan	Manufacturing of thin film filter components required for optical communication	97,142	97,142	9,316,297	34.89%	290,707	(17,618)	(166,422)	Associate
"	Yukari Group Co., Ltd.	Taipei	Wholesale of foods and groceries, sales of drinks, operation of restaurant	89,787	89,787	2,100,000	100.00%	10,943	(1,422)	(1,422)	Subsidiary
"	E-Teq Venture Co., Ltd.	Taipei	Electronics components manufacturing, data storage media manufacturing and duplicating, general investments	115,000	115,000	10,380,000	100.00%	94,024	(6,764)	(6,764)	Subsidiary
"	Yun-Chen Trading Co., Ltd	Taipei	International Trade	-	-	-	0.00%	-	(2,271)	(2,271)	Subsidiary
"	YUN SHENG INVESTMENT CO., LTD.	Taipei	Investment	30,000	-	3,000,000	100.00%	29,985	(15)	(15)	Subsidiary
				1,819,329	2,257,889			5,043,648		760,763	
SSC	SESC	Panama	Ship operation and chartering	USD 20	USD 20	11	100.00%	163,954	4,292	4,292	Sub-Subsidiary
"	SIL	BVI	Holding company	USD 2,792	USD 2,792	880	50.00%	32,097	(62)	(31)	Sub-Subsidiary
"	SMGC	Panama	Ship operation and chartering	USD 7,879	USD 12,091	11	100.00%	246,310	113,796	113,796	Sub-Subsidiary
"	SEHC	Panama	Ship operation and chartering	USD 8,046	USD 8,046	11	100.00%	298,689	50,080	50,080	Sub-Subsidiary
"	SMTC	Panama	Ship operation and chartering	USD 12,990	USD 17,590	11	100.00%	373,932	117,384	117,384	Sub-Subsidiary
"	SEBC	Panama	Ship operation and chartering	USD 8,420	USD 9,420	11	100.00%	494,732	115,522	115,522	Sub-Subsidiary
"	SEAC	Panama	Ship operation and chartering	USD 4,301	USD 6,301	10	100.00%	137,484	83,998	83,998	Sub-Subsidiary
"	SEMC	Panama	Ship operation and chartering	USD 7,504	USD 7,504	11	100.00%	334,178	148,379	148,379	Sub-Subsidiary
"	SECC	Panama	Ship operation and chartering	USD 8,108	USD 7,608	11	100.00%	312,230	13,878	13,878	Sub-Subsidiary
"	SEEC	Panama	Ship operation and chartering	USD 8,751	USD 8,451	11	100.00%	300,977	5,340	5,340	Sub-Subsidiary
"	SEFC	Panama	Ship operation and chartering	USD 7,761	USD 7,761	11	100.00%	382,683	140,100	140,100	Sub-Subsidiary
"	SERC	Panama	Ship operation and chartering	USD 9,115	USD 8,615	11	100.00%	324,544	(11,966)	(11,966)	Sub-Subsidiary
"	SEDC	Panama	Ship operation and chartering	USD 9,428	USD 8,828	11	100.00%	339,545	65,542	65,542	Sub-Subsidiary
"	SEVC	Panama	Ship operation and chartering	USD 8,244	USD 7,994	11	100.00%	336,218	109,689	109,689	Sub-Subsidiary
"	SEGC	Panama	Ship operation and chartering	USD 8,311	USD 8,311	11	100.00%	337,406	17,092	17,092	Sub-Subsidiary
"	SEPC	Panama	Ship operation and chartering	USD 11,219	USD 11,169	11	100.00%	384,878	9,802	9,802	Sub-Subsidiary
"	SSMHC	Cayman Islands	Holding company	USD 51	USD 44	-	100.00%	59	(230)	(230)	Sub-Subsidiary(Note1)
				USD 122,940	USD 132,545			4,799,916		982,667	
SSMHC	SEJC	Panama	Holding company	USD 7	USD 6	-	100.00%	(22)	(26)	(36)	Sub-Subsidiary(Note1)
East Tender Trading Co., Ltd.	Zai Feng Auto Transportation Co., Ltd.	Yilan	Automobile cargo transportation business	20,381	20,381	12,000	100.00%	18,173	1,277	1,277	Sub-Subsidiary

(Note1) The sub-subsidiary which is 100% held by the subsidiary has been established and registered .However, the funds have not been fully invested .Capital registration is handled until the funds are all in place.

SESODA CORPORATION

Statement of cash and cash equivalents

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount
Petty Cash	Petty Cash, etc.	$ 380
Bank Deposits:		
Demand deposits and check deposits		175,772
Foreign currency deposits	USD 876 thousand，@30.71	26,894
	EUR 5 thousand，@32.72	178
	CNY 450 thousand，@4.41	1,984
		204,828
Foreign time deposit (Note)	USD 9,000 thousand，@30.71	276,390
Time deposit (Note)		1,000
		277,390
		$ 482,598

Note: The time deposit period is one month, and the annual interest rate is 0.73%~3.6%.

Statement of notes receivable

Client name	Description	Account	Note
MT Company	Operating	$ 20,260	
SD Company	〃	15,652	
TM Company	〃	15,069	
HM Company	〃	8,975	
Others (each amount is less than 5%)	〃	61,394	
		$ 121,350	

SESODA CORPORATION

Statement of accounts receivables

December 31, 2022

(In thousands of New Taiwan Dollars)

Client name	Description	Account	Note
OM Company	Operating	$ 132,619	
SQ Company	〃	99,859	
LD Company	〃	45,049	
Others (each amount is less than 5%)	〃	494,078	
Less: Loss allowance		(88,464)	
		$ 683,141	

Statement of inventories

Item	Description	Amount: Cost	Amount: Net realizable value	Note
Merchandise		$ 288,484	277,254	
Finished goods		528,805	510,484	
Raw materials		711,346	593,348	
Fuel		6,138	6,138	Note 1
Supplies		15,372	14,469	Note 2
Subtotal		1,550,145	**1,401,693**	
Less: allowance for inventory valuation losses		(164,308)		
Total		**$ 1,385,837**		

Note 1: This inventory is for subsequent manufacturing use only, is not intended for sale and the amount is not material, therefore value its costs as market price.

Note 2: This inventory is for subsequent manufacturing use only, is not intended for sale and the amount is not material, therefore values the amount which already recognized inventory sluggish losses as market price.

SESODA CORPORATION

Statement of other current financial assets

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Tax refund receivable		$ 15,133	
Purchase discount receivable (refund when purchase reached agreed quantity)		31,571	
Others (each amount is less than 5%)		3,918	
		$ 50,622	

Statement of other current assets

Item	Description	Amount	Note
Prepayment for purchases		$ 42,258	
Overpaid sales tax		14,893	
Income tax assets		8,202	
Others (each amount is less than 5%)		2,927	
		$ 68,280	

SESODA CORPORATION

Statement of changes in financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2022

(In thousands of New Taiwan Dollars)

	Beginning balance		Addition		Decrease		Investment gains (loss) at fair value through other comprehensive income	Ending balance			
Name of financial instrument	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount		Shares or units	Fair value	Collateral	Note
Stocks:											
Qingdao Soda Ash Industrial Potassic Fertilizer Tecnhnolgy Co., Ltd.	-	$ 114,517	-	-	-	-	(36,753)	-	77,764	None	
StemCyte International Ltd.	82,382	1,113	-	-	82,382	351	(762)	-	-	"	
Total		$ 115,630		-		351	(37,515)		77,764		

SESODA CORPORATION

Statement of changes in investments accounted for using the equity method and credit balance of investment accounted for using equity method

For the year ended December 31, 2022

(In thousands of New Taiwan Dollars)

	Beginning balance		Addition		Decrease		Ending balance			Market value or net assets value			
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price (NTD)	Total amount	Collateral	Note
Investment accounted for using equity method:													
SSC	10	$ 3,728,802	-	1,351,356	-	468,540	10	100.00 %	4,611,618	461,161,840	4,611,618	None	
East Tender Trading Co., Ltd.	3,200,000	38,520	-	2,993	-	1,452	3,200,000	100.00 %	40,061	13	40,061	"	
EOC	9,316,297	464,335	-	368	-	173,996	9,316,297	34.89 %	290,707	31	292,532	"	
Yukari Group Co., Ltd.	2,100,000	12,365	-	-	-	1,422	2,100,000	100.00 %	10,943	5	10,943	"	
E-Teg Venture Co., Ltd.	10,380,000	101,340	-	-	-	7,316	10,380,000	100.00 %	94,024	9	94,024	"	
Yun-Chen Trading Co., Ltd.	-	-	500,000	5,000	500,000	5,000	-	- %	-	-	-	"	
Yun Sheng Investment Co., Ltd.	-	-	3,000,000	30,000	-	15	3,000,000	100.00 %	29,985	10	29,985	"	
		4,345,362		1,389,717		657,741			5,077,338		5,079,163	"	
Credit balance of investment accounted for equity method:													
SIL	880	(33,718)	-	6,054	-	6,026	880	- %	(33,690)	(38,285)	(33,690)	"	
		$ 4,311,644		**1,395,771**		**663,767**			**5,043,648**		**5,045,473**		

SESODA CORPORATION

Statement of other non-current assets

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Refundable deposits		$ 11,669	
Prepayments for equipment		60	
		$ 11,729	

Statement of short-term borrowings

Type	Description	Ending balance	Contract period	Range of interest rate	Credit lines	Collateral	Note
Short-term loans	Unsecured bank loans	$ 560,000	2022.3.28~2023.7.4	1.33%~1.97%	1,060,000	None	
Short-term loans	Secured bank loans	690,000	2022.10.28~2023.6.21	1.63%~2.46%	721,233	Property, plant and equipment	
		$ 1,250,000			**1,781,233**		

SESODA CORPORATION

Statement of accounts payable

December 31, 2022

(In thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
CA Company		$ 500,972	
AN Company		59,306	
Others (Each amount is less than 5% of balance)		84,617	
		$ 644,895	

Statement of other payables

Item	Description	Amount	Note
Employee compensation and directors' remuneration payable		$ 125,820	
Freight payable		68,333	
Equipment payment payable		26,239	
Others (each amount is less than 5%)		75,082	
		$ 295,474	

SESODA CORPORATION

Statement of other current liabilities

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Temporary receipts		$ 2,665	
Receipts under custody		665	
Refund liability		418	
		$ 3,748	

Statement of operating revenue

For the year ended December 31, 2022

Item	Quantity (ton)	Amount	Note
Manufacturing products	366,285	$ 4,327,428	(Note)
Trade products	82,257	985,212	(Note)
Subtotal		5,312,640	
Less: sales return and discount		2,217	
		$ 5,310,423	

(Note) Manufacturing produces include potassium sulfate, hydrochloric acid and liquid calcium chloride, etc.; trade products included soda ash, baking soda, anhydrous sodium sulfate, potassium chloride and sun-dried salt.

SESODA CORPORATION

Statement of operating costs

For the year ended December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Amount
Cost of merchandise	
Beginning balance	$ 94,369
Add: Purchase	1,004,163
Gain on inventory count	31
Transfer from raw materials	31,815
Other	6,316
Less: Ending balance (amount before allowance of inventory loss)	288,484
Transfer to raw materials	835
Transfer to finished goods	6,909
Other	19,127
Subtotal	821,339
Cost of manufacturing:	
Beginning balance of raw materials	349,799
Add: Purchase	2,861,642
Transfer from merchandise	835
Less: Ending balance of raw materials (amount before allowance of inventory loss)	711,346
Transfer to overhead	4,021
Transfer to finished goods	68,941
Transfer to merchandise	31,815
Consumed raw materials	2,396,153
Direct labor	46,771
Manufacturing overhead	461,854
Unallocated production overhead	11,718
Manufacturing cost	2,916,496
Other	44,565
Cost of goods manufactured	2,961,061
Add: Beginning balance of finished goods	183,303
Purchases	30,168
Transfer from merchandise	6,909
Transfer from raw materials	68,941
Less: Ending balance of finished goods (amount before allowance of inventory loss)	528,805
Other	7,040
Cost of finished goods sold	2,714,537
Add: Loss on valuation of inventories	163,703
Add: Other	2,153
Loss: Gain on inventory count	(31)
Operating cost	**$ 3,701,701**

SESODA CORPORATION

Statement of selling expenses

For the year ended December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Export cost		$ 321,559	
Shipping cost		138,901	
Others (each amount is less than 5%)		21,349	
		$ 481,809	

Statement of administrative expenses

Item	Description	Amount	Note
Payroll		$ 140,624	
Director's Remuneration		43,741	
Depreciation expense		17,514	
Others (each amount is less than 5%)		100,589	
		$ 302,468	

For the statement of other receivables (payables) from (to) related parties, please refer to note 7 to the parent-company-only financial statements.

For statement of changes in property, plant and equipment, please refer to note 6(f) to the parent-company-only financial statements.

For statement of changes in right-of-use assets, please refer to note 6(g) to the parent-company-only financial statements.

For statement of deferred tax assets (liabilities) and income tax expense, please refer to note 6(k) to the parent-company-only financial statements.

For statement of lease liabilities, please refer to note 6(i) to the parent-company-only financial statements.

For statement of interest income, please refer to note 6(p) to the parent-company-only financial statements.

For statement of other income, please refer to note 6(p) to the parent-company-only financial statements.

For statement of other gains and losses, please refer to note 6(p) to the parent-company-only financial statements.

For statement of finance costs, please refer to note 6(p) to the parent-company-only financial statements.